



Daily Report

China

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General

BEIJING REVIEW Views INF Treaty
OW181021 Beijing BEIJING REVIEW in English
25-31 Jan 88 p 21-22

["Forum" article by Wang Shuzhong: "After the Agreement on Medium-Range Missiles"]

[Text] [BEIJING REVIEW editor's note] This is the first "BEIJING REVIEW" forum. Forum will feature the private opinions and views of experts, scholars and other readers on domestic matters, foreign relations and international issues. We hope this column will enrich the content of our magazine. [end editor's note]

President of the United States Ronald Reagan and Soviet leader Mikhail Gorbachev formally signed the agreement on intermediate-range nuclear forces (INF) on December 8. If this agreement is carried out, it will be the first step towards nuclear disarmament. It is a welcome development. But I do not believe that the pact will have much effect on the strategic targets and the military situation of either side.

Reviewing past U.S.-Soviet negotiations on weapons, the two sides arrived at some agreements, but their nuclear arsenals have not been reduced. On the contrary, the number of nuclear weapons has risen, and this has resulted in both the disarmament negotiations and the arms race.

The U.S.-Soviet arms rivalry has constantly escalated and spilled over into outer space. To safeguard world peace, people make the reasonable demand that the United States and the Soviet Union share special responsibility for disarmament and take the first action to reduce substantially all kinds of nuclear weapons, including space weapons, and chemical, biological and large-scale destructive weapons, as well as conventional weapons.

The signing of the INF treaty proves that the two superpowers—the United States and the Soviet Union—needed to reach an agreement on disarmament favourable to both sides for economic and strategic reasons.

For decades the United States and the Soviet Union have conducted an unceasing arms race, at a heavy cost in terms of funds, manpower and materials. Their military expenditure has been so big that it has had a serious impact on their economies. The large financial deficits and huge debt of the U.S. Government have turned the United States from the world's biggest creditor to its biggest debtor. The U.S. Congress, with its Democrats' majority, has put strong pressure on the Reagan administration to reduce arms and balance the budget. Similarly, the Soviet Union has been competing with the United States in the costly arms race for years, and this has led to stagnation in its national economy.

Under the circumstances, the Soviet Government has lowered the targets for national income and social labour productivity in its national economic development programme. As part of Gorbachev's "rethinking" of foreign policy, he introduced the concept of a reasonable number of weapons. The Soviet side hopes to slow the arms race to an appropriate pace and said that future weapons development will take place on the basis of a reasonable number of weapons, or enough for defence, without wearing down its economy in the arms race with the United States.

Strategically, the United States and the Soviet Union have fundamentally relied on mutual deterrence, that is, the two sides use the existence of retaliatory nuclear forces large enough to destroy each other as a means to maintain the strategic balance between them. This has led to the constant escalation of strategic nuclear forces that has gone on for decades.

Although each side's nuclear arsenal has attained over-kill capacity, no country can realize the aim of defeating its enemy in a future war. The result of such a war would only be mutual destruction. The key point is that the two sides are using the most advanced technology in the military sector in order to seize the military edge.

The requirements of military technology are stricter than ever before, especially if the two sides continue to pursue the outer space arms race, which has already started. With its superiority in sophisticated technology, the United States formally launched its Strategic Defence Initiative or "Star Wars" programme in 1983 so as to add a strategic defence system to its offensive system. If the defence system is a success, it will be deployed at the beginning of the next century.

In accordance with the Anti-Ballistic Missile Treaty of 1972, the Soviet Union has already deployed an anti-ballistic missile system around Moscow. But this is inadequate to deal with the new U.S. challenge. The Soviets have made it clear that if the United States were to start the militarization of space and thus destroy the strategic balance, the Soviet Union would have no choice but to recover the balance through counter-measures.

The Soviet side has confirmed for the first time that it has been conducting strategic defence system research similar to that of the Americans. This proves that the strategies of both countries include a contest of comprehensive strength in the next century. Their military strategic thinking has moved away from the idea of having only offensive weapons and towards developing both offensive and defensive capabilities. Therefore, it is no wonder that the U.S.-Soviet arms race and disarmament negotiations are in a constant state of flux.

Expert Views International Economic Trend
HK160731 Hong Kong TA KUNG PAO in Chinese
3 Feb 88 p 2

[Article by reporter Chen Lai-fu: "Huan Xiang Looks at the Global Economic Trend"]

[Text] Special dispatch from Shenzhen on 2 Feb—Huan Xiang, a well-known Chinese expert on international questions, recently delivered a report to middle- and high-ranking party and government cadres and leaders of big enterprises in Shenzhen City and Shekou City. In his report, Huan Xiang expressed his worries about the prospects of the global economy for the next 10 years. He believed that various factions have anticipated that a world-wide economic recession will soon arrive. Huan Xiang said: "Of the economists and politicians in all the countries in the world, only a minority is optimistic about the prospects of the global economy. The majority of people expect that a world-wide economic recession will soon arrive, when the world enters the year 1989."

The Stock Market Plunge Is a Grave Signal [subhead]

Huan Xiang, a well-known expert on international questions of China's State Council, has just returned from a fact-finding tour in the United States. When he makes a report, Huan Xiang usually talks about 2 or 3 hours on the international economic situation and usually clearly points out the global economic trend and prospects.

Huan Xiang believed that the U.S. economy still occupies the leading position in the world economy. The U.S. economy has a direct bearing on the stability of the economy of the entire West. At present, the United States is still burdened with a \$170-billion trade deficit. However, if the United States takes measures to eliminate this huge trade deficit, some 40 million people in many Asian and Western European countries will become unemployed. This will indeed cause a disaster to those countries.

According to the analysis, it is unlikely that the United States will be able to improve its economic performance within a short period of time. At present, the United States is trying its best to reduce its two deficits. The United States is exerting increased pressure upon Japan, Taiwan, South Korea, Hong Kong, and even West Germany and is demanding these countries and regions to reduce exports to the United States and increase imports from the United States. However, no gratifying results have yet been achieved. The method of reducing deficits by depreciating the U.S. dollar has not been successful. Huan Xiang said that the stock market plunge last November was a grave signal which had an adverse impact on the psychology of consumers and investors. Under such circumstances, no great changes will take place in the entire situation concerning U.S. imports and exports because U.S. products have lost much of their competitiveness. Therefore, it is unlikely that the United States will be able to reduce its trade deficit within a short period of time.

Huan Xiang said it is unlikely that the U.S. economy will continue to deteriorate this year because this year is the year in which the U.S. presidential election will be held, and no one would dare to do something that might affect

the presidential election. However, it is equally impossible that the United States will be able to resolve its "three-high" problem. The "three-high" problem refers to the high trade deficit, high financial deficit, and high internal and external debts. Huan Xiang believed that it is unlikely that the economic situation of Western Europe and the entire world will improve in 1988. Huan Xiang said that he personally disagreed with the optimists. He said that the coming world-wide economic recession will not be as serious and dangerous as the one of 1929-33 because the economic and political circles of all the countries in the world are now carrying out a study on possible countermeasures. However, he said that the coming world-wide economic recession might have a greater impact than that of 1981-82. This is because the United States was still a huge market in the world in 1981-82, but such a huge market has now found it increasingly difficult to survive. Huan Xiang also added that the coming world-wide economic recession might last longer than the one of 1981-82.

"Management Trade" Will Become the Main Stream [subhead]

In discussing the trade question, Huan Xiang pointed out that because the world economy is deteriorating, the competition among various countries has also intensified. Trade protectionism is very popular and will probably continue to develop in the world in future. Trade protectionism does not refer to tariff barriers, but to other nontariff protectionist measures such as quota systems and restrictions on technological imports. Now, the various countries in the world are competing with one another in depreciating their currencies and are under heavy political pressure. The force for abolition of trade protectionism is fighting the force for implementation of trade protectionism. Under such circumstances, the total world trade volume will probably grow but not greatly, probably by 4 percent or a bit over 4 percent over that of the last year. Huan Xiang said that it is hardly possible that pure trade protectionism will revive or that pure free trade will reemerge. The Americans call the current trade "management trade," which means "trade under management." "Management trade" means to settle bilateral trade issues through political negotiations, tariff barriers, and other nontariff measures. "Management trade" will become the main stream of the world trade development in the next 10 years. Under the name of "management trade," various forms of trade protectionism will certainly continue to play a role in world trade.

Huan Xiang predicted that the U.S. dollar will continue to depreciate. He said that if the United States continues to allow the U.S. dollar to depreciate, it will be impossible for the United States to solve its "double-deficit" problem with the help of foreign funds. Instead, it will take a long time for the United States to solve its "double-deficit" problem because it seems that the U.S. dollar will continue to depreciate in the future. The measures adopted by the United States, Japan, West

Germany, and various other advanced countries in order to check the continued depreciation of the U.S. dollar have only slowed down the speed of the depreciation of the U.S. dollar and helped to reduce its impact. Huan Xiang predicted that the the world financial market (including the stock market foreign exchange market) will remain unstable. He said that at present, more funds have been spent on production than on investment. The nominal capital far exceeds the actual capital. The recent stock crisis only affected the actual deficit of some \$60 billion and the nominal capital of some \$2 trillion. This is a new question faced by economics. So far, no one has found a better solution to this question.

New Small Dragons Will Emerge in Asia [subhead]

All the countries and regions in the world are presently readjusting their production structures, updating and upgrading their products, and developing their tertiary industries and new technological industries in order to meet the challenge of the new world economic pattern. Huan Xiang said that to develop the "first products" to occupy a certain position in the world economy by the 21st century has now become a trend. Therefore, all the countries in the world are spending more and more funds on their industrial scientific research.

Huan Xiang said that in the next 10 years, Japan will probably replace the United States to become an economic superpower in the Asia-Pacific region. Moreover, besides the current "four small dragons," the fifth, sixth, and seventh small dragons will probably also emerge in the Asia-Pacific region. Thailand, the Philippines, and some other nations in the region will probably become new small dragons.

The Two Trends Throughout the Pacific Region [subhead]

According to the analysis of Huan Xiang, two trends have emerged throughout the Pacific region: One trend is that the United States has been exerting increased pressure on Japan, South Korea, Taiwan, and so on and has demanded that these countries and regions make their currencies appreciate and open up their markets to the rest of the world; as a result, these countries and regions have become less dependent on the United States. The other trend is that the countries in the Asia-Pacific region have strengthened their relations with Japan. This situation is conducive to Japan's efforts in forming the so-called "East Asian System of International Division of Economic Work." This "system" links South Korea, Taiwan, and Vietnam in Northeast Asia, forming an arc, and the six ASEAN countries in Southeast Asia, forming another arc. The decline of U.S. influence in this region has accelerated the formation of such a "system." As a result, the competition between the United States and Japan has intensified. Japan's nominal GNP now is two-thirds that of the United States. However, because of the depreciation of the U.S. dollar, calculated according to the new foreign exchange rate, Japan's per capita GNP has already exceeded that of the United States.

United States & Canada

Embassy in U.S. Celebrates Spring Festival *HK190418 Beijing RENMIN RIBAO in Chinese 15 Feb 88 p 6*

[XINHUA report: "Chinese Embassy in the United States Holds Spring Festival Party"]

[Text] Washington 13 Feb (XNA)—The Chinese Embassy in the United States held a party celebrating the Spring Festival on 13 February to welcome in the Year of the Dragon. More than 600 Overseas Chinese and personalities of Chinese origin in Washington D.C. were invited to the party.

Before the party began, Chinese mass organizations burned firecrackers and performed the lion dance in front of the Chinese Embassy gates. Many Overseas Chinese and Chinese came to the party with their families, and in some cases, all three generations of a family came. Quite a few of them had come a long way, in spite of the severe cold.

The party was permeated by a warm, festive atmosphere. People wished each other happiness during the festival. Chinese Ambassador to the United States Han Xu delivered a speech, in which he said: The people of the Chinese nation, young and old, men and women, no matter which province they hail from, no matter where in the world they live, and despite the differences in their beliefs, are celebrating the traditional Chinese Spring Festival, which has a long history.

He said that he was very happy to see that thousands of Taiwan compatriots had returned to the mainland and enjoyed happy reunions with their families after a separation of almost 40 years. He hoped that during the Spring Festival, more Taiwan compatriots would return to their hometowns to enjoy happy reunions with their families.

Han Xu appealed to the Chinese people both at home and abroad to exert their concerted efforts and to contribute their wisdom to make China, the giant dragon, speed across the sky as early as possible. He also extended, on behalf of the Chinese Government and people, New Year's greetings to Overseas Chinese and friends of Chinese origin abroad, wishing them good health, happiness, prosperity, and the best of luck in the Year of the Dragon.

Southeast Asia & Pacific

Culture Minister Attends Party Honoring Sihanouk *OW181418 Beijing XINHUA in English 1320 GMT 18 Feb 88*

[Text] Beijing, February 18 (XINHUA)—The Chinese Ministry of Foreign Affairs hosted a Spring Festival party for Prince Norodom Sihanouk and his wife here this evening.

Wang Meng, Chinese minister of culture, and Chen Minzhang, Chinese minister of public health, were among those present at the party.

West Europe

Norway's Brundtland on PRC, Other Issues
OW181500 Beijing XINHUA in English 0822 GMT
18 Feb 88

[Text] Helsinki, February 17 (XINHUA)—Visiting Norwegian Prime Minister Gro Harlem Brundtland today described China as the world's fastest-growing country in 1987 which, she said, is irreversibly stepping onto the world map, both geo-strategically and economically.

The prime minister's reference to China came in a speech she delivered before the Paasikivi Society today dealing with outstanding world issues during a two-day visit to Finland.

China has launched a modernization process with long-term targets, and has a strong urge to push ahead with it. This was the clear impression, she said, she got from talks with Chinese leaders during a recent visit to China.

On other world issues, she said all nations, whether big or small, need a long and stable period of international detente, and progress in East-West relations will play a decisive role in resolving pressing international issues.

The successful signing of the intermediate nuclear force treaty will be an impetus to big powers' arms control talks, Brundtland said. She added her country hoped that big powers will soon reach an agreement reducing half of their strategic arsenals.

On European integration, Brundtland called for greater cooperation among members of the European Free Trade Association (EFTA), as well as greater cooperation between the EFTA and its West European counterpart of the European Community.

The prime minister cited protectionism, the debt problem and low prices for raw materials as factors which threaten to widen the gap between the poor and the rich and would lead to crises. To resolve the debt problem of the developing countries is a must, she said.

East Europe

Song Jian To Promote Sci-Tech Cooperation
OW190828 Beijing XINHUA in English 0638 GMT
19 Feb 88

[Text] Beijing, February 19 (XINHUA)—A ten-day tour of three European countries is planned in May by Song Jian, state councillor and chairman of the state science and Technology Commission.

The visit to Romania, Yugoslavia and Bulgaria is aimed at deepening mutual understanding and promoting future co-operation in science and technology, a senior official said.

According to "CHINA DAILY", this will be one of this year's cooperation programs in the field of science and technology between China and East European countries. The Science Commission is also ready to welcome a reciprocal visit from Hungary this year.

Major cooperation programs include a USSR and a Poland science and technology day in Beijing. The largest ever USSR science and technology day in November will involve about 200 well-known Soviet scientists. Similar activities will be held in the USSR and Poland next year. China resumed science and technology cooperation with the Soviet Union in 1985.

China will send a delegation to the second meeting on science and technology cooperation between China, USSR and East European countries in Moscow next month.

The Science Commission, which has a long-term cooperation program from 1986 to 1990 with Czechoslovakia, Bulgaria, Poland and the German Democratic Republic, will sign a program with Yugoslavia this year, the official said.

East European countries have taken on 29 projects in China's "spark plan", a program which started in 1985 to promote the rural economy with practical science and technology.

Hong Kong Paper Speculates on Zhao's Absence
HK190254 Hong Kong SOUTH CHINA MORNING POST in English 19 Feb 88 pp 1, 2

[From Marlowe Hood in Beijing]

[Text] Diplomatic circles were rife with speculation last night over the absence of Chinese Communist Party General Secretary Zhao Ziyang from official ceremonies over the Lunar New year.

A spokesman for the Communist Party Liaison Department yesterday claimed to be unaware of Mr Zhao's whereabouts.

"We are not too clear on this matter," he said.

The popular party head has not been seen since he entertained a group of model managers on February 12 at Zhongnanhai, the secluded residence of China's top leaders.

His absence was most conspicuous at the annual Lunar New Year "rally" yesterday, at which soon-to-be-confirmed acting Premier Li Peng gave the keynote speech.

All five members of the CPC Standing Committee except Mr Zhao were present or accounted for: Mr Hu Qili, Mr Yao Yilin and Mr Li all attended yesterday's rally. Mr Qiao Shi was in Sichuan Province.

Even paramount leader Deng Xiaoping, whose seniority frees him from the obligation of attending such ceremonial niceties, put in an appearance at Shanghai celebrations.

The whereabouts of other senior military, party and government leaders—including Mr Yang Shangkun, Mr Wang Zhen, and Mr Yu Qiuli—were accounted for.

However Mr Zhao was not even mentioned in television or newspaper reports.

Speculation in Beijing yesterday centred on several possibilities.

One is that Mr Zhao may have made an unannounced trip outside of Beijing, possibly to North Korea. Chinese and North Korean leaders have regularly made secret trips to each other's capitals over the last decade, according to informed sources.

The General Secretary may have gone to conduct a personal inspection of the devastating explosion in December of a Chinese munitions train that had just crossed into Korean territory. The blast destroyed everything within a 2-1/2 km radius, according to U.S. military intelligence reports.

This incident, when set against a background of difficulties in Sino-North Korean relations, could account for an unexpected and untimely visit by Mr Zhao.

One foreign diplomat suggested that Mr Zhao's non-appearance at recent meetings may stem from political friction with Mr Li, who will take over Mr Zhao's old job at next month's session of the People's Congress.

It is commonly held among Chinese intellectuals, for example, that a rivalry has developed between the two leaders whose priorities, backgrounds and temperaments diverge in key areas.

Mr Li expressed concern about rising inflation and excessive consumerism in yesterday's speech, problems of special concern to leaders who have favoured more conservative approaches to economic reform.

But it is hard to see how any such difficulties could explain Mr Zhao's recent disappearance.

In the same speech Mr Li called for the quick implementation of Mr Zhao's plan for opening the entire eastern seaboard to foreign economic investment.

One cannot rule out the possibility of serious illness or accident, but, once again, there have been no direct indications that Mr Zhao's normally robust health has failed him.

Official in Haikou Unaware of Zhao's Presence
HK191234 Hong Kong AFP in English 1226 GMT 19 Feb 88

[Text] Beijing, Feb 19 (AFP)—The conspicuous absence of Chinese Communist Party chief Zhao Ziyang from Lunar New Year celebrations here this week remained unexplained Friday and his whereabouts were unclear.

A reliable source said Mr Zhao—whose unexplained absence has baffled diplomats here—has been on the island of Hainan since Thursday as part of an inspection tour that also includes the coastal province of Guangdong.

But an official at the Foreign Affairs Department in Haikou, the island's capital, told AGENCE FRANCE-PRESSE by telephone he was unaware of Mr. Zhao's presence on Hainan.

Lunar New Year is traditionally a time of public appearances for China's top leaders, and the absence of Mr. Zhao, 69, on Thursday from a list of dignitaries who attended a reception took diplomats here by surprise.

Mr. Zhao's name was also missing from traditional Lunar New Year messages published in the official Chinese press on Wednesday.

Late Thursday the official NEW CHINA NEWS AGENCY mentioned Mr. Zhao for the first time in six days, saying in a passing reference that he had sent flowers to Tibet's Panchen Lama who has been celebrating his 50th birthday.

Observers said such references have been used in the past to dispel alarmist rumors about a leader's fate.

Mr. Zhao is to announce soon several new measures for Hainan Island, earmarked to become China's 22nd province in March when the National People's Congress meets in Beijing.

Beijing wants to turn sunbaked Hainan Island—the size of Belgium—into a magnet for foreign investment and tourists.

Mr. Zhao was last reported to have visited Hainan Island in January 1983, when he was China's premier. He said then that the island, which faces Vietnam, seemed less developed than places he had seen in Africa.

Bu Xinsheng Fired for Business Failure
OW191027 Beijing XINHUA Domestic Service in Chinese 0923 GMT 15 Jan 88

[By reporters Tong Baogen and Chen Jianfa]

[Text] Hangzhou, 15 Jan (XINHUA)—The leading party and government departments concerned of Zhejiang Province today made a decision on removing Bu Xinsheng from the posts of deputy manager of the second light industry corporation of Haiyan County, director of the Haiyan Village shirt factory, and deputy secretary of the party branch of the factory.

In the past, Bu Xinsheng made contributions to the development of the Haiyan village shirt factory in the course of reform, and helped promote urban economic reform that had just begun then. However, he could not restrain himself and became arrogant, complacent, rude, and imperious with achievements and honors. In particular, he paid no attention to studying the party's principles and policies and lacked modern management knowledge. As a result, the factory was poorly managed, suffered serious losses, and owed debts greater than its total assets.

The responsible comrades of the Zhejiang Provincial CPC Committee, the provincial government, Jiaxing City, and Hanyan County have long noticed Bu Xinsheng's problems. Adhering to the principle of "helping him to save the factory," they have constantly helped and educated him. However, he is concealing his faults for fear of criticism and is still unaware of his mistakes. He has disappointed the party and the people.

At present, the Haiyan Village shirt factory faces great difficulties in operation because of heavy debts. In December 1987, a joint investigation group organized by

the governments of Zhejiang Province, Jiaxing City, and Hanyan County conducted an investigation of the factory, and the results of the investigation showed that it is inadvisable to keep Bu Xinsheng in the management job. A poll of the workers and staff members of the factory showed that 96 percent of the cadres and workers expressed their distrust of Bu Xinsheng.

In order to save the Hanyan Village shirt factory from bankruptcy, the Hanyan County People's Government has also made a decision on "suspending the factory's debt obligation and contracting it out through open bidding." The financial department will temporarily pay the debts for the factory and the factory will be exempted from paying interest to the financial department. Then, the factory will be contracted out for operation through competitive open bidding. The debts will be paid back to the financial department after the factory makes profits.

Commentary Justifies Media Treatment of Bu
OW181154 Shanghai JIEFANG RIBAO in Chinese 13 Feb 88 P 2

[Commentary by Zhou Zijin and Liu Yuanyi: A Little Explanation for the Media]

[Text] After Bu Xinsheng was removed from his posts, the media suddenly became a target of public criticism. We cannot but say a few words in defense of journalists.

We think that all in all, news reports on Bu Xinsheng have been correct all along, and that the media should be commended, not criticized.

When the reform just started several years ago, we were "groping our way in fording across a river" and everything was in need of exploration. In that situation, Bu Xinsheng bravely stepped forward, showed his abilities and determination to forge ahead, changed the apathetic situation in which "ten thousand horses were all muted," and set a good example for us. The media reported in a timely way Bu Xinsheng's courage and pioneering spirit and promoted the reform throughout the country. This fact precisely showed the journalists' professionalism and their high sense of responsibility. They deserve people's fair appraisal.

Now, Bu Xinsheng has been removed from his posts because of his own problems. Journalists have also reported this news in a timely fashion, just as they did in the past. The news reports serve as a mirror for people that will help reformers draw lessons and sum up experience to ensure a smooth progression of the reform. We should say that the news reports should be affirmed because they promote the reform from another angle.

Some people say that the press will "praise a person one time and criticize him the next." It is true, but the press is not to blame. In the past, it was a malpractice of the media to report only good news. Today, the media has reformed itself. Particularly since the 13th CPC National

Congress, newspapers have adopted new practices and have striven to enhance the openness of reportage, tell people the truth and discuss major policies. Is there anything wrong with them? The newspaper reportage on Bu Xinheng's removal from office is a good example. It seems that many people are used to reading eulogies in the newspaper, and when they hear different voices, they will be uncomfortable and will have an abnormal rationalization leading them to blame the media. This shows an outmoded idea.

Things change constantly. With the deepening of reform, people's thinking also changes accordingly. It is difficult to "pass final judgment on a person" even "when the lid is laid on his coffin," let alone to judge him in a short time. Bu Xinheng's rise and fall are nothing strange. What is there to be surprised at? Reporters are human beings, not gods. It was absolutely impossible for them to foresee Bu Xinheng's later fall at the beginning. It is the reporters' duty to report on him both positively and negatively. How can we criticize reporters as "persons with belated wisdom"? Moreover, didn't the reporters report Bu Xinheng's loss in his lawsuit against Sun Hongjuan of the Luyang tie factory? Many people have written Bu Xinheng and encouraged him to "rise again." If he works hard and rises to make new contributions, the media will again report his experience of revival. Then, we will also praise the media for the reportage. In the course of journalistic reform, efforts should certainly be made to correct the tendency of exaggeration shown by some reporters in their reports.

As readers, we earnestly hope that the comrades in the press circles will continue to forge ahead bravely and make honest reports, both positive and negative, on anyone no matter who he is, as long as the reports are in the interest of the people and the country, so that our reform will proceed smoothly despite difficulties.

Commentary Says Bu Xinheng Not Solely To Blame
OW181230 Shanghai JIEFANG RIBAO in Chinese
13 Feb 88 p 1

[Commentary by Wu Zaiqiang: "We Should Not Attribute All Faults to Bu Xinheng"]

[Text] Some people attribute Bu Xinheng's inexpedient management, which resulted in the bankruptcy of an enterprise, entirely to his arbitrary decisions, peremptory actions, spendthrift style, and unhealthy practice. I think this is an extreme view. I once went to the Haiyan General Shirt Factory to make an inspection, and my impression is that Bu Xinheng is really an expert in management. Standing in the vanguard of reform, he dared to take risks and was able to painstakingly build up his enterprise. In the course of his endeavor to open up new business, however, Bu Xinheng, with the blind approval of the leadership concerned, carried out an investment project for building a printing and dyeing shop with two sets of modern equipment and acted

hastily to import from Japan a Western-style clothes production line so as to mass-produce Western-style clothes along with the shirt and necktie business to meet the needs of the "craze for Western-style clothes" prevailing at that time. When the equipment for making Western-style clothes was just imported and put into operation, and 100,000 neckties were purchased for resale, the state issued a circular to control consumption and ban enterprises and institutions from issuing clothes to their personnel in one name or another. This caused the slack in Bu Xinheng's business in Western-style clothes. Following this was Bu Xinheng's defeat in a lawsuit on neckties, the overstock of Western-style clothes produced, the accumulation of interest on foreign-exchange loans, an inability to fulfill the quota of profits contributed to the state and to make tax payments, the imbalance between the enterprise's revenue and expenditure, difficulty in the turnover of funds, and increase in debts — all these resulted in the irrevocable bankruptcy of the enterprise.

I am of the opinion that there is no ready example to follow in making reform, and invigorating the enterprise means taking risks. The mistake of Bu Xinheng's policy decision and his inability to extricate his enterprise from the predicament were caused by the objective environment and should not be attributed entirely to his arrogance, complacency, or poor management.

With regard to Bu Xinheng's case, I think the following are worth our consideration. What responsibility should be borne by the leadership concerned for Bu Xinheng's failure? What was the social background that created Bu Xinheng's case? It is quite necessary to make clear these questions if we are to understand Bu Xinheng's case.

I have no intention of extolling Bu Xinheng. However, Bu Xinheng is still Bu Xinheng. In the hard course of continuing reform, I believe, Bu Xinheng will climb up and continue to advance after his fall.

Commentary Discusses Bu Xinheng Case
HK190243 Beijing GUANGMING RIBAO in Chinese
7 Feb 88 p 1

["Weekly Commentary" by Yi Yunwen (2496 6663 2429): "Reflections on the Dismissal of Bu Xinheng"]

[Text] There has been a big reaction to the news of the dismissal of Bu Xinheng. Many newspapers and radio and television stations have carried commentaries on this affair. People have reacted to the big rise and fall in the fate of this reformist figure with various emotions, including shock, criticism, censure, regret, pity, and so on. The many views aired express society's concern for the fate of reformers. Certain views have gone far beyond the scope of Bu Xinheng himself by getting involved in the much broader field of how to deepen the economic and political structural reforms, and in other related fields such as the question of how to correctly evaluate and report on reformist figures.

Bu Xinheng was a reformist who was a man of the hour. He emancipated his mind and boldly pursued reform, pushing a set of unique management methods in a collective-ownership shirt factory, with the result that its products sold well in big cities such as Shanghai, Beijing, and Guangzhou, and the factory became a first-class specialized shirt factory in Zhejiang Province. Bu Xinheng himself grew from being the offspring of a tailor who only knew how to use scissors, needle and thread into an entrepreneur with a certain knowledge of enterprise management. People still remember clearly the contributions he made to reform. His set of management methods and reformist work style of daring to think and to act have opened up lines of thought on reform. We cannot erase his glorious career during those years just because the enterprise he managed has now failed. We must at all times take an historic and dialectical view of a person in line with the principle of seeking truth from facts, and we should not simply "judge heroes according to success or failure." This is extremely important. Certain entrepreneurs who are currently exerting great efforts in reform said after learning of Bu Xinheng's dismissal: Commodity competition is a very random scene, and reform is even more of a risky undertaking, and nobody can guarantee that what happened to Bu Xinheng will not also happen to him. Who would dare to shoulder risks and carry out reforms if a person who fails is described as devoid of all merit? We should indeed reflect profoundly on the words of these entrepreneurs.

Reform is an arduous and tortuous great undertaking without parallel in history. Just as mistakes and setbacks can hardly be avoided in reform, retreats may occur sometimes during the general advance, and a victory may contain the seeds of failure, so there is nothing strange about people exerting efforts in reforms, and especially those reformers who dare to eat the first crab, making certain mistakes and suffering setbacks. The correct attitude to take toward these mistakes and setbacks is to analyze and distinguish them, and help people to learn the lessons and continue to forge ahead. There is always only one step of difference between the truth and a lie, and there is only a narrow line between success and failure. When people succeed, they only receive some applause and acclaim, and when they fail, they just hear sighs and reproaches. Both of these methods are incorrect. Both may bewilder those concerned so much that they are unable to keep cool heads and wise brains, with the result that a good thing is done badly and a bad thing is done still worse. Reformists have never been isolated. Their success or failure is closely linked to various social factors. The success and rise of Bu Xinheng at that time could not have been possible without the leadership and the masses supporting him and the green light given him by the party policy of reform and opening up. Bu Xinheng himself realized this at that time. Success cannot be all ascribed to one person, and it is also improper to ascribe failure to one person alone. Bu Xinheng's failure naturally was related to his arrogance

and complacency and the mistakes in his decisionmaking, and it was also related to improper leadership on the part of certain leading cadres in the departments in charge; it was related to improper propaganda in news reports, and also to those aspects of economic and political structural reform that have not yet been carried out and to the lack of a complete set of perfected reform measures. Because Bu Xinheng was a well-known reformist, it was thought that everything he did was a reform, and that everyone who supported Bu Xinheng was supporting reform. Both he himself and certain leaders harbored this misunderstanding. As a result, there was very little constraint on Bu Xinheng's powers. And arrogance and boasting are very closely related to lack of constraint on powers. In order to put on a posture of being "even more keen on reform and opening up," far from promptly correcting certain mistakes in his decisionmaking, certain leaders actually greatly raised the stakes, with the result that the losses caused by his mistaken decisions became even more serious. Certain people with insight pointed out that if only one of the many factors that led to Bu Xinheng's failure had been promptly corrected, his predicament today would possibly not have become so serious. The pity is that this is very far from reality. People have proposed: While enterprise decisionmaking powers are expanded, measures for supervision and constraint should be stepped up simultaneously. Otherwise, it is not possible to promptly avoid losses caused by mistakes on the part of the decision-makers. These heavy lessons should attract our attention in future work.

It should be acknowledged that, in this respect, Bu Xinheng's fall should merit reflection on the part of media workers. Some people say: Apart from the subjective factor of the man himself, the reasons for Bu Xinheng's fall were very closely related to the praise lavished on him from all quarters. There is something in that. Certain journalists lauded Bu Xinheng to the skies when he was successful and even described his shortcomings as strong points, with the result that he was unable to extricate himself, wallowing as he was in fresh flowers, fine wines, and popping flash-bulbs. But the moment he failed, they described him as devoid of all merit, and his previous strong points were turned into shortcomings. This is not a truth-seeking approach, and it shows that people have not been able to jump out of the previous set pattern of lavishing praise when reporting on typical figures. Such an approach should not therefore be adopted. Seeking truth from facts and being objective and fair are the most basic work principles and professional ethics for journalists. Whether in dealing with "noted figures" or "small people," it is essential to stress seeking truth from facts; excessive praise or belittlement can only cause difficulties for the reformers and lower the prestige of journalism.

Although Bu Xinheng was dismissed because his enterprise failed, this certainly does not mean that his whole life's undertaking has ended. Success and failure are often companions that appear alternately on the road of

life. Lei Yu, who was punished on account of the "Hainan automobile affair," did not lose heart in the face of setbacks. While serving as deputy governor of a county, he worked with boldness and gave an outstanding performance, again displaying his talent and will for reform, for which the masses commended him. He was recently elected a vice mayor of Guangzhou City. The sinking and emergence of Lei Yu shows that China today has indeed provided an excellent social and public opinion climate for those people who really possess talent and are bold in reform. People can learn a lesson from Bu Xinheng's sinking and emergence, and Bu Xinheng similarly can draw strength from Lei Yu's fall and rise.

President of Science University Replaced
HK190718 Beijing ZHONGGUO XINWEN SHE
in Chinese 1414 GMT 18 Feb 88

[Text] Beijing, 18 Feb (ZHONGGUO XINWEN SHE)—Our reporter has confirmed from the Chinese Academy of Science that the president of the University of Science and Technology has been replaced. That post is now held by 61 year-old mathematician Gu Chaohao [6253 6389 6275].

Gu Chaohao was formerly vice president of Shanghai Communications University and concurrently director of its mathematical research center and a member of the studies department of the Academy of Science. Teng Teng, the replaced president of the University of Science and Technology, remains vice president of the Academy of Science. Following his new appointment, Gu Chaohao also remains director of the mathematical research center of Shanghai Communications University.

Legalist Views Press Freedom, Press Law
HK180932 Beijing RENMIN RIBAO in Chinese
15 Feb 88 p 4

[Report: "Zhang Youyu (1728 0645 3342) Says Protection of Press Freedom Should Be the Basis of the Press Law"]

[Text] Famous Chinese legalist Zhang Youyu aired his views on how to draft the "press law" not long ago. He believes that the press law should best protect journalists' right to exercise their legitimate freedom of speech, so that journalists who dare to tell the truth may be immune to illegal intervention and attack. In other words, protection of press freedom should be the basis of the press law.

Zhang Youyu said: The press freedom to which we refer should include open criticism of party and government work, under the prerequisite that the four cardinal principles are not to be violated. Such criticism can only be beneficial to the party and government. Especially when some specific issues are involved, the masses, looking at things from different angles with different approaches, may reflect different conditions and air

different views because of the differences in their social status and work position. Therefore, what the masses have to say should be heeded and taken into consideration and should not be arbitrarily restricted. No retaliation should be allowed against the masses for their criticism.

Zhang Youyu believes that freedom of speech, speaking as a whole, represents the basic interests of the party and state. The party and state themselves should have democracy and freedom in fighting against bureaucratism and feudalism. Generally speaking, all opinions could be published unless they are aimed at instigating counterrevolutionary activity, violate the law, or oppose the four cardinal principles. In theoretical exploration and academic discussion, people may air different opinions on some of the views of revolutionary teachers. It is in struggle that Marxism grows and develops. It never recoils before criticism. The more truth is debated, the clearer it becomes. Truth develops only through criticism. With the continuous development of society, Marxism also continues to develop. It is inappropriate to suppress or obstruct speeches supplementing and developing Marxism. A bad tendency in the past was acting on the words of leading members, whom nothing should contradict. Actually, the words of leading members are often aimed at certain specific matters. These words are not necessarily truth that is universally applicable. Different opinions can be expressed if these words have not been written into an official mandatory document.

Journalistic freedom that allows criticism of the party and government may cause repercussions of every description and to bad effects in some cases. However, in resolving problems of this category, we should chiefly rely on education and enlightenment, but not on administrative commands or banning in an oversimplifying way. Only then can the press really play its full role in promoting and guaranteeing socialist construction. No one should restrict freedom of speech, so long as a journalist takes a correct stand in his criticism, which is based on fact, and within the boundaries of the law. When the system of press freedom is adopted, corresponding changes should be made in the existing censorship; namely, the practice of censorship prior to printing should be changed to censorship after circulation. With regard to party papers, they should have better knowledge of the principles and policies of the party and state; therefore, sending reports to higher authorities for censorship before they are published is not necessary, except those dealing with major party policy, state secrets, or other important issues. Should problems arise, they could be dealt with afterwards. The handling of such problems should not be too severe, and there should be no nitpicking.

The full text of Zhang Youyu's speech is carried in the No 12 edition of XINWEN CHUBAN BAO [THE PRESS AND PUBLICATION].

Roundup Analyzes Energy Situation
HK181340 Beijing ZHONGGUO XINWEN SHE
in Chinese 1504 GMT 6 Feb 88

["Roundup" by ZXS reporter Xu Yu-ming (6079 3768 2494)]

[Text] The outlook for China's energy situation in 1988 can be summed up in this line: Steady growth of energy production and brisk energy demand. The energy shortage, a problem that has long troubled people in economic circles, is expected to remain an important factor restraining China's economic development in the new year.

China's energy shortage has long seriously affected the development of economic construction. Apart from the supply of coal, increased production of electric energy and oil has still failed to bring about a change in the situation. Such factors as a long cycle of construction, shortage of funds, and so forth, have caused the energy shortage to become an inveterate disease in China's contemporary economic life. Meanwhile, the demand for energy has been rising sharply. Last year, the power industry grew at a rate of 9.7 percent, but the pace of development had not been brought into step with that of the national economy. The shortage of electric energy in various parts of the country reached 70 billion units. In certain areas, the only way is to restrict the supply of electric power. Industrial and mining enterprises close 3 days every week. In the parlance of users of electric power, it is "3 days of closing and 4 days of opening." The "oil shortage" affecting various areas has also brought very great pressure to bear on the ever active economy.

Despite these various unfavorable factors, the new momentum of the development of energy production has still made people in economic circles optimistic, with the view that given the general situation of an inadequate energy supply, relief to a certain extent will appear this year.

Last year, the installed capacity in China for the first time broke through the 100-million-kilowatt mark.

Raw coal output in the coal industry passed the mark of 900 million tons to reach 925 million tons, bringing about a fundamental change in the situation of coal supply inadequate to meet the demand. This is of great economic significance as far as the energy consumption pattern with coal as its core is concerned.

With a steady increase in oil production for 7 consecutive years, crude oil output reached 134 million tons.

The problem of energy shortage long left alone without any relief is increasingly arousing the attention of policy makers. At the 13th National CPC Congress, Zhao Ziyang called for accelerating the development of energy

production with the power industry as its center. Guided by this, relevant departments are working out a new goal of increased production on the basis of 1987.

It was revealed that in the new plan for increased production, the power capacity of installations put into production and operation this year will exceed that in any past year.

The State Planning Commission, responsible for the formulation of national economic plans, has decided that apart from investing in the building of electric power projects, it will allocate a special sum from bank loans every year for the technical transformation of electric power enterprises. The aim is to reverse in 5 years the situation of a severe shortage of electric energy in most areas of China.

At present, the reform of the electricity-related investment system has broken the government monopoly on electric energy production. The input of funds obtained through various channels, such as the arrangement of loans, the raising of funds, the issue of bonds, the use of foreign capital, and so forth, and also the collection of funds for the building of power projects will provide a large amount of money for this ambitious plan.

The establishment of a large number of modern coal mines, the increasing ripening of such new technological processes as dense oil heat mining, drilling of the cluster type, and so forth, the start of the stage of overall development after oil prospecting in the oilfields east of the Junggar Basin, and the successive involvement of outlying oilfields of a number of old oil areas in development—all these serve to show that there will be a new year ahead of a steady increase in energy production.

Experts judge that an alleviation of the serious shortage will be a feature of China's energy supply and demand situation in 1988.

Article Views Hong Kong-Mainland Economic Ties
HK181251 Beijing RENMIN RIBAO OVERSEAS
EDITION in Chinese 5 Feb 88 p 3

[Article by reporters Huang Jichang (7806 7139 2490) and Huang Xingqun (7806 1630 5028): "Wide Scope for Economic Cooperation—Hong Kong Is Skillfully Linked With the Zhu Jiang Delta"—passages in boldface as published]

[Text] Editor's note: Over the past few years, the trade, economic, and technological cooperation between Hong Kong and the mainland have been strengthened. The situation is gratifying.

Now, the development of the international situation has once again provided a good opportunity for Hong Kong and the mainland to strengthen their economic ties. People in economic circles in Hong Kong and on the

mainland have one common aspiration: To seize this opportunity to cooperate more closely, and to actively take part in international economic exchanges.

To conform with this situation, our paper plans to invite relevant personages in Hong Kong and the mainland to write articles expressing their views on the question of strengthening the economic ties between Hong Kong and the mainland and to exchange relevant information between Hong Kong and the mainland through the news media so as to jointly make efforts to explore the proper way and a proper method of further strengthening the cooperation between Hong Kong and the mainland. We welcome your writing down what you see, hear, and think and sending your views to our paper. [end editor's note]

The policies of reform and opening up to the outside world, which are being implemented in Mainland China, are very attractive to Hong Kong.

"Go to the mainland to process products!"

"Go to the mainland to establish factories!"

This strong wave has already hit the Zhu Jiang Delta, which is near Hong Kong.

So far, Hong Kong entrepreneurs have directly invested in more than 2,000 factories in Guangdong Province, and more than 8,000 enterprises in Guangdong Province are now processing products for Hong Kong. The total number of workers employed in these enterprises exceeds 1 million. These cooperative enterprises carry out a variety of processing production activities for Hong Kong, including textiles, electronics, garments, toys, plastics, wristwatches, clocks, ornaments, leather, wigs, and so on. It is not an exaggeration to say that all the main industries of Hong Kong have now established their processing bases in the mainland. It is a fact that over 75 percent of the entrepreneurs in certain industries and trades have built branch factories in the Zhu Jiang Delta.

Why do Hong Kong entrepreneurs "look to the north"? Why have Hong Kong entrepreneurs transferred their capital, technologies, equipment, and production bases from Hong Kong to the mainland? It is not difficult to find the answer to this question if one looks at the practical cooperation between Hong Kong and the Zhu Jiang Delta.

Hong Kong's industries have their advantages, but still face some problems. The opening up of the Zhu Jiang Delta has provided a very good opportunity for Hong Kong entrepreneurs...

We once visited the founders of some industrial and commercial associations in Hong Kong. According to these people, Hong Kong's industry developed very late. For nearly 100 years before the Second World War, there

had only been a small number of mills in Hong Kong. It was not until some 20 years ago, especially after the mid-1960's, that Hong Kong's industry really started to develop. During that period, a large number of factories emerged in Hong Kong. People can still remember that the number of workers could double in 1 year and several factories could go into operation in 1 day in those years. By the early 1980's, there were more than 40,000 factories in Hong Kong. By the early 1980's, on average, there were 45 factories on every square kilometer of land! After over 10 years of hard work, Hong Kong has now succeeded in becoming the world's No 1 exporter of garments, wristwatches, toys, and candles. All the "pillar" industries and trades of Hong Kong involve manual operations. The most outstanding characteristics of Hong Kong's industries are that they are labor-intensive industries, processing industries, and mainly export-oriented in nature. People once vividly summed up the characteristics of Hong Kong's industries as "raw materials imported from Japan, processed in Hong Kong, and sold on the European and American markets."

On Hong Kong Island and Kowloon Peninsula and in the New Territories we cannot find a factory proper which is as big as the "Shoudu Iron and Steel Complex" or the "Second Automobile Manufacturing Plant" on the mainland. Most of Hong Kong's factories are situated in industrial buildings. A 10-storey or 20-storey industrial building often has over 100 factories in it. Therefore, the industrial buildings of Hong Kong are just as crowded as honeycombs. A relatively big factory usually occupies several floors of an industrial building, with processing workshops on the upper floors and assembly workshops on the lower floors; a small factory often occupies one workshop only. If a factory occupies a whole industrial building, then the factory is considered very big. In order to run industries in such a small place, the entrepreneurs of Hong Kong have to pay very high rents because land is as expensive as gold in Hong Kong!

Hong Kong's industries can be proud of their development, but still face a lot of problems. Over the past few years, Hong Kong's industries have encountered a lot of new problems. The most serious are: First, the pressure of external competition has increased. Over the past few years, the economic development of the West has stagnated. Hong Kong has also been adversely affected by the slow economic development of the West. The rapid development of Hong Kong's Asian economic rivals has created a threat to its economy. Second, high land prices, high rents, high costs, and high interest rates in Hong Kong's industries have greatly weakened the competitiveness of the labor-intensive industries. As a result, some industries in Hong Kong have tended to shrink. Third, over the past few years, fluctuations in foreign exchange rates have greatly increased the competitiveness of certain Hong Kong products, which have demonstrated great potential, on the European and American markets. There has been a growing demand for such products. However, the processing capability of the existing factories in Hong Kong has fallen short of this

demand. Fourth, great changes have taken place with regard to the occupational choices of young people in Hong Kong, so that it has become more difficult for the factories in Hong Kong to absorb young and educated "fresh blood." A sample survey report issued by a local voluntary organization 2 years ago showed that more than 90 percent of local secondary school graduates wished to continue their studies. As far as future occupations were concerned, 80 percent of the students said that they were willing to work as "office clerks" in the commercial, trade, banking, and other fields. The remaining 20 percent said that they would like to train in the hotel and tourist industries or find jobs in newspapers and other types of publishing institutions. Some students were even willing to run stalls in cooperation with others after graduation. Very few students were willing to work in factories. Many industries and trades in Hong Kong now face the problem of old age. Very often even after a "job" advertisement or notice has been up for 3 or 5 months no one has applied for that job. In some industrial areas, the factories always have "job" advertisements up, but still cannot find enough people to fill the vacancies.

The boss of a wristwatch factory in Hong Kong told these reporters: "I have run this factory for nearly 20 years. After years of hard work, I finally found an overseas market. However, nowadays, the political situation in some countries is unstable and the currencies of some countries and regions have appreciated in value. As a result, when these countries and regions send me orders, I dare not accept them. Watching the god of wealth come and go is a really frustrating thing for me!"

Now, the opening up of the mainland, especially the Zhu Jiang Delta, has indeed provided a good opportunity for Hong Kong entrepreneurs! Now, it is no longer difficult for Hong Kong entrepreneurs to find labor and factory buildings and to carry out expanded production. So, how can Hong Kong entrepreneurs not "look to the north" and look for partners in the Zhu Jiang Delta, which is very near Hong Kong?

Now, since investors who go to set up factories in the mainland can gain a lot of advantages and can kill many birds with one stone, why should they not go there?

We have talked to many Hong Kong investors who have set up factories in the mainland. These investors told us in different dialects: They have indeed gained advantages and earned profits from their cooperation with the mainland. This is a basic fact. Most of the Hong Kong entrepreneurs who have set up factories or processed their products on the mainland have earned profits.

First, let us look at the scale of production. The factories set up in the mainland by Hong Kong entrepreneurs are generally bigger in area, have better ventilation systems, and are brighter compared with the factories in Hong Kong. For example, a Hong Kong toy company originally had only 3,000 workers in Hong Kong. Because of

the growing demand in the overseas market, the production capacity of the toy company needed to be expanded. So, the entrepreneurs of the company went to Guangzhou, Dongguan, and some other areas to establish processing centers and built seven factories within 5 years. Now these factories employ some 10,000 workers. The production capacity of these factories is much bigger than their original production capacity. Thus, the company has solved a problem which it could not solve in Hong Kong. After being in operation for over 10 years, a Hong Kong bicycle assembly factory could only assemble 100,000 bicycles in Hong Kong in its best production year. However, after being in operation for less than 4 years, the cooperative venture of the Hong Kong bicycle assembly factory in Shenzhen has realized an annual production output of over 500,000 bicycles.

Now, let us look at the costs of production. The rents of the factory buildings and labor costs on the mainland are much lower than those in Hong Kong. Someone has made this comparison: The present land price in Shenzhen is equivalent to only 30 percent of the land price in Hong Kong. Labor costs in Hong Kong run as high as 20 percent of the total industrial output value. In 1986, labor costs of the cooperative enterprises in Shenzhen only accounted for 5.4 percent of the total industrial output value. In other words, producers can save 14.6 yuan on every 100 yuan worth of goods by producing the goods in Shenzhen rather than in Hong Kong. Although the Zhu Jiang Delta has only been opened up for a short period of time, although the standard of the industrial development of the Zhu Jiang Delta is not very high, and although the management standard and economic results of the Zhu Jiang Delta still need to be raised, the Zhu Jiang Delta has helped to reduce the costs of Hong Kong entrepreneurs who carry out labor-intensive production in the Zhu Jiang Delta and enabled the products of the Hong Kong entrepreneurs to become as competitive as "strong dragons" on the world market.

Changes have also taken place with regard to the source of raw and processed materials needed by Hong Kong. Hong Kong has to import raw materials for its garment and toy industries. But if the Hong Kong entrepreneurs set up enterprises in the mainland, they can utilize the local silk, leather, flannel, and cloth products to produce garments and toys. This will not only help the Hong Kong entrepreneurs to reduce their production costs, but will also guarantee their production. Thus, the development of Hong Kong's dynamic industries will no longer be hindered by a lack of raw materials.

Moreover, by investing and setting up factories in the mainland, Hong Kong entrepreneurs are not only able to gain direct industrial profits, but are also able to gain commercial profits, because they are very familiar with the import channels for certain raw materials and the export channels for certain products and are very familiar with the international supply and marketing channels.

We have also had long talks with some local scholars who have been doing research and study on Hong Kong's economy. These scholars believe that the transfer of Hong Kong's labor-intensive industries to the Zhu Jiang Delta is by no means a conscious one, but will be of far-reaching significance to Hong Kong's future industrial development. Hong Kong's industrial development differed from the traditional industrial development in many other regions. Hong Kong did not develop the products needed by the local market first and open up the overseas market later. Instead, Hong Kong's industries are mainly export-oriented. Hong Kong's economic growth depends on its exports. Hong Kong uses the income gained from its exports to buy the means of production and the means of subsistence it needs. So, various export-related services, including market information, transportation, financial, and insurance services, are now well developed in Hong Kong. Hong Kong entrepreneurs are known for their "quick access to market information" because they are able to judge the hour and size up the situation and quickly adapt themselves to change. However, now they are faced with more serious challenges: Industries must be upgraded and transformed, which means turning labor-intensive industries into technology-intensive industries. According to some scholars, many countries and regions in the world paid a high price when transforming their industries (for example, the speed of industrial development slowed or even became negative for a short time). Because Hong Kong has the advantage of the backing of Mainland China, it has a strong capability in absorption and digestion, so that it will be able to pay a relatively low price in transforming its industries. As a matter of fact, the opening up of the coastal cities of the mainland and the emergence of the export-oriented processing industries in the Zhu Jiang Delta will enable Hong Kong to bring into better play its original advantage in commercial services. When some processing industries are transferred to the mainland, Hong Kong will be able to concentrate its efforts on turning its industries from labor-intensive into technology-intensive industries. Thus Hong Kong entrepreneurs will be able to gain advantages from this process and will be able to kill many birds with one stone. So, why should Hong Kong entrepreneurs not go to set up factories in the mainland!

Hong Kong places great hopes on the mainland. We should not miss this good opportunity for cooperation. All of us should actively carry out cooperation and advance together.

On the highway between Hong Kong and Shenzhen, we could see endless queues of lorries and trucks!

From morning till night, numerous heavy-duty lorries and container lorries carry various types of components and parts for processing to numerous processing centers in Shenzhen and the Zhu Jiang Delta and then carry the export-oriented processed products back to Hong Kong.

Then, through the ports and the airport of Hong Kong, the products processed in Shenzhen and the Zhu Jiang Delta are exported to all the continents of the world.

Thus, materials are provided by Hong Kong, processed by the mainland, and then exported from Hong Kong. As a result, the front shop (Hong Kong) and the rear factory cooperate with each other. This is a linked economic operation. Although there is a border between Hong Kong and the mainland, there will soon emerge the big cycle: mainland-Hong Kong-overseas countries.

Some people of insight in Hong Kong are presently studying the question: Now that the "China factor" has provided a good opportunity for the development of Hong Kong, how should Hong Kong adapt itself to this new development? What type of role can Hong Kong play in Sino-foreign cooperation and exchanges? How should the industrial circles of Hong Kong learn and absorb the science and technologies of the mainland so as to transform Hong Kong's industries from labor-intensive into technology-intensive industries? Hong Kong's industrial circles should no longer regard the transfer of production bases to the mainland as shaking off a heavy burden or gaining "small advantages." Hong Kong's industrial circles should keep abreast of the times!

As far as the present situation is concerned, the majority of the Hong Kong entrepreneurs who have made investments and processed their products in the Zhu Jiang Delta have now firmly established their production and processing bases there, and it is anticipated that more Hong Kong entrepreneurs will move their factories to the Zhu Jiang Delta. Among these Hong Kong entrepreneurs, some have "broken the cauldrons and sunk the boats" by closing their old factories in Hong Kong and moving all their production equipment and facilities and production lines to the mainland. Some have adopted a "double-track" method, which means that they are running factories both in Hong Kong and in the Zhu Jiang Delta at the same time and exporting their products both from Hong Kong and the Zhu Jiang Delta. Some Hong Kong entrepreneurs not only carry out production in Hong Kong and in the mainland but have also developed associations with countries in Southeast Asia, Europe, and America. These Hong Kong entrepreneurs have made investments in various countries and regions and have carried out coordinated production through cooperation with many countries in the world. Different Hong Kong entrepreneurs have adopted different strategies for different reasons. However, the majority of the Hong Kong entrepreneurs now place great hopes on the mainland because they believe that "a waterfront pavilion gets the moonlight first."

In our interviews with some Hong Kong entrepreneurs who have set up their factories in Shenzhen, we heard a lot of sharp but frank criticism. Many Hong Kong investors feel that China's policy of opening up to the outside world is very encouraging and attractive, but

some "local policies" have made foreign investors really worried. Although the investment environment of the mainland has been improved, foreign investors still have a lot of worries. They said: "Although roads have been built, the vehicles still move very slowly on the roads; although telephones have been installed, you often cannot get through; although equipment and facilities have been purchased, they still cannot produce the desired economic results; although raw materials and sample products have been imported, the reject rate is still very high. The mainland lacks standard regulations governing enterprise management. Funds cannot circulate freely in the mainland. Administrative departments in the mainland interfere too much in the operation of enterprises. The mainland still lacks a perfect legal system, adequate laws, and so on. All these phenomena have combined to worry investors. A Hong Kong manager told us: "Originally, a lot of components and parts exported by our company could have been bought from the mainland, but unfortunately the factories in the mainland did not produce their products according to the specifications and asked us to accept whatever they produced. How could we accept products which we did not need? Moreover, the mainland cannot guarantee the delivery of products and often delays the delivery of products! When will the mainland foster the concept of delivering products punctually and carrying out production according to market needs?" These criticisms are worthy of our consideration.

The new historical conditions have provided Hong Kong and the Zhu Jiang Delta with a good opportunity to carry out multilateral and multichannel economic cooperation! We once had such opportunities in the past. But because of internal disturbances and unrest in the mainland, we missed them. Now, both Hong Kong and the mainland must treasure this good opportunity, actively cooperate with each other, advance together, and make more contributions.

The times place great hopes on both the mainland and Hong Kong!

Xue Muqiao on Initial Stage of Socialism
OW181001 Beijing BEIJING REVIEW in English
25-31 Jan 88 pp 14-17

["Written speech" by Xue Muqiao, economist, read at a recent forum: "Away with Dogmatism and Ossified Thinking"]

[Text] The thesis that China is in its primary stage of socialism, presented at the recent 13th National Congress of the Communist Party of China, is a new development of the theory of scientific socialism. To understand the "thesis of the primary stage of socialism," we should further eradicate dogmatism and the ossified economic pattern and carry forward the creative spirit of Marxism.

Significance of the Thesis [subhead]

Although for many years we have admitted that our socialist system grew out of a semi-colonial, semi-feudal society with much underdeveloped capitalism, and that it is far from perfect and mature, we have not really understood this problem thoroughly. The term, primary stage of socialism, began to appear in party documents released after the Third Plenary session of the 11th Party Central Committee in December 1978, but no discussion was organized on it and so it failed to draw the attention of the press circles at home and abroad. In his report, "Advance Along the Road of Socialism with Chinese Characteristics," delivered at the 13th National Congress of the Communist Party of China, Comrade Zhao Ziyang discussed the primary stage of socialism and the basic party line, explaining that the party line adhered to today is defined according to the reality of China in its primary stage of socialism.

In the report Zhao said, "China is now in the primary stage of socialism.... We are destined to go through a very long primary stage. During this period we shall accomplish industrialization and the commercialization, socialization and modernization of production, which many other countries have achieved under capitalist conditions." This is an important conclusion our party has drawn from its experiences of the past 30 years, after deepening its understanding of socialism and gaining a clearer idea about the actual conditions in our country. The conclusion provides us with an ideological weapon to prevent mistakes, and a solid theoretical base from which to build socialism with Chinese characteristics. This conclusion enriches the theory of scientific socialism and points out the correct path for China's socialist cause; it will inevitably draw the attention of public opinion both inside and outside China.

After liberation in 1949, our country eliminated the feudal system in just three years and basically fulfilled the socialist transformation of agriculture, handicraft and capitalist industry and commerce in another 4 years. It seems that we have achieved all these with undue haste. It seems particularly inappropriate to have established a uniform socialism by eliminating the private economy and all private enterprises, because this runs counter to objective laws of historical development. More than 30 years of experience have taught us that, handicapped by backward productive forces and a less developed commodity economy, China can hardly satisfy the multifarious needs of its people by relying solely on state-owned industry and commerce and collective agriculture. Much room will have to be filled by the individual economy and some private enterprises. I said in a lecture in Hong Kong in 1980, "We can't allow capitalism to revive. But it's not surprising that we still retain some of it because at present we can't totally eliminate capitalism." I ran a certain risk in saying this, because I could have been suspected of discarding the orthodox statement that capitalism must be totally eliminated in China. It seems that my remarks conform with the social conditions underlying the theory of the primary stage of socialism.

Some foreign newspapers claim that the advancement of the thesis of the primary stage of socialism indicates that China has been gradually abandoning Marxism. This is nonsense which stems from a lack of knowledge. Dialectical and historical materialism have taught us that everything develops through changes in quantity and quality, and this applies even more to human history. An old society carries within itself the seeds of a new system even while the old system reigns. When a society develops to a certain degree, it will experience a qualitative change; when the new system changes from a subordinate to a dominant position in the society, and the old society will give way to the new. After a new social system is set up, some parts of the old system will remain present for quite a long time. From the viewpoint of historical materialism, the primary stage of socialism in our country still involves some nonsocialist, even capitalist factors. This is completely understandable.

China used to be a semi-colonial, semi-feudal society. Bureaucratic-capitalism represented by the four families of Chiang Kai-shek, T.V. Soong, H.H. Kung and the Chen brothers (Kuo-fu and Li-fu) did not contribute to, but rather suppressed national capitalism. The task of leadership in the anti-imperialist, anti-feudalist bourgeois democratic revolution had to fall on the shoulder of the Communist Party of China which represented the interests of the working class and other labouring people. The victory of the revolution led to the establishment of a new democratic state led by the working class and based on a worker-peasant alliance which also included the national bourgeoisie. New China confiscated bureaucratic capital and turned it into part of the socialist state-owned economy. Since bureaucratic capital was stronger than national capital (bureaucratic capital made up 80 percent of the total fixed assets of the whole country's capitalist economy before 1949), the socialist state-owned economy, established by the confiscation of bureaucratic capital, dominated the country's economy. The establishment of a state-owned economy, plus the leadership of the proletariat and the cooperation of workers, made it possible for China to peacefully embark on the socialist road. The socialist transformation of our country's national economy conformed with the objective laws of historical development. But the efforts to eradicate capitalism and wipe out the entire private economy ran counter to the objective laws of historical development. The thesis of primary-stage socialism thus conforms exactly with Marx's theory of historical materialism. In putting forward the thesis, China does not mean to cast aside Marxism but dogmatism and the ossified economic pattern.

There was a long-standing dogmatic approach towards the relation between socialism and capitalism, and between workers and capitalists, based on a belief that the two totally conflicted with each other. Anyone who said that cooperation was possible between the two was branded "revisionist." As a matter of fact, dialectical materialism has already made it clear that everything has within itself some contradictions and the two sides of the

contradiction both conflict with and depend on one another. This holds true for the contradiction between workers and capitalists. For example, the two parties conflict with each other, but they also work together when their enterprise is faced with external challenges or when it is on the brink of bankruptcy. Dogmatists view the problem differently, saying that there only exist conflicts and there is no interdependence between the two sides of a contradiction. This point of view runs counter to dialectical materialism.

Globally speaking, today's capitalist world has changed a lot since Marx's writing of "Capital". The rapid advancement of science and technology and the speedy increase in labour productivity make it possible for workers under the capitalist system to considerably improve their living standards. From the late 19th to the early 20th centuries, the cruel exploitation of workers by the capitalists impeded the development of domestic markets in capitalist countries, resulting in the flooding of the markets with surplus commodities, and culminating in a serious economic crisis. During World War II, the working classes of all countries fought in the forefront against fascism. After the war, improvement in the workers' political status forced the capitalists to adopt "welfarism." The capitalists could accept this because they recognize workers' improved living standards would help expand the domestic market and ease the severity of the economic crisis. The capitalist class not only changed its internal policies but also its external ones. Before World War II, the imperialist countries, pursuing the old colonial policies, robbed colonies and dependencies of all their wealth and undermined the external markets which absorbed their surplus commodities. During World War II, these colonies and dependencies fought for national liberation, thereby greatly heightening their political strength. After the war, imperialist countries resorted to neo-colonialism, allowing their colonies to become independent and encouraging them to develop their national economies, thus expanding the international market for surplus goods. It can be said that the 40 years of post-war development in the turbulent capitalist world had much to do with its altered policies, without which the capitalist world could have hardly continued to exist to the present day or at least could not have experienced its present development. Today, some of our economists dare not face up to this reality and pay little attention to the new developments in capitalism. Rather, they squabble endlessly over the question of the proletariat's absolute poverty. In their eyes what Marx did not predict would never happen. This is a dogmatic approach to Marxism.

The relations between socialist and capitalist countries are also dealt with dogmatically. Dogmatists hold that there are only conflicts and struggles and no interdependence or cooperation between socialist and capitalist countries. In his later years Stalin said that the world market had already split into the socialist and capitalist blocs. However, there is now only one market, the world market as a whole, in which both socialist and capitalist

countries trade with each other. Economically, they can hardly be separated as they invest in and cooperate with each other. With the birth of New China, many capitalist countries imposed economic sanctions against our country, so for a period of time, China had to trade mainly with the Soviet Union and East European countries. Later, because of the Soviet Union's suspension of economic aid to China and the rupture of relations between the two parties, China was for a long time closed to the outside world. Worse still, the "gang of four" branded China's economic exchanges with the West as "betrayal to the nation." After their fall China began opening its doors to the outside world. In 1978 alone, China signed 22 contracts to import advanced foreign equipment. Since the Third Plenary Session of the 11th Party Central Committee held in December 1978, reform and opening up have been declared state policy. China's trade and economic cooperation with the West have since expanded and so have its exchanges with the Soviet Union and Eastern Europe. Recently many East European countries, including the Soviet Union, have also set up economic relations with the West. Facts have proved that the rigid view of socialism as conflicting totally with capitalism does not conform with the objective reality.

Even more handicapped by dogmatism and the ossified economic pattern was the managerial system of the socialist economy. Over a long period of time, we set planned economy against commodity economy, thinking that the planned economy is peculiar to socialist countries, while the commodity economy is unique to capitalist countries, and that many commodities under a planned economy must be purchased and distributed according to a unified state plan; we saw the rationing of commodities as a strong point of the socialist system. As for the means of production, we never recognized them as commodities. They could be distributed according to plan, not freely sold on the market. State enterprises were not recognized as independent commodity producers. They were required to operate at the beck and call of their superiors, deprived of any autonomy; they were not allowed to establish relations with other factories or engage in free competition. All these restrictions and many other concrete measures were considered inherent to the socialist economy. Whoever wanted to change this pattern would be seen as deviating from the socialist road and even as restoring capitalism.

This ossified system has increasingly become unsuited to the development of productive forces. Aware of some of the system's defects, our party pointed out as early as 1956 that the overconcentration of power had drawbacks and some changes had to be made. In several attempted reforms, however, attention was focused only on how much power the central authorities should retain and how much power should be delegated to local authorities. No decision-making power was given to state enterprises. As a result, the root of the ossified economic process remained untouched. In fact the defects were worsened by "Left" mistakes. Anyone who uttered a

single word about the commodity economy, the role of the market, self-management and the enterprise's responsibility for its profits and losses was criticized as capitalist.

It was not until after the Third Plenary Session of the 11th Party Central Committee in December 1978 that China shook off the shackles of "Left"-deviation, dogmatism and the ossified economic pattern. We have since made much headway, first in expanding the enterprise's decision-making power and then in breaking away from the ossified economic structure. The government has begun to actively encourage commodity production and exchange. But since the traditional concept of conflict between planned economy and the commodity economy and planned regulation and market regulation has not been eradicated, no one dares to openly encourage the development of the socialist commodity economy.

The Third Plenary Session of the 12th Party Central Committee in 1984 marked a complete break from the traditional concept of the planned economy against the commodity economy. It was made clear at the meeting that China's socialist economy was a planned commodity economy based on the public ownership of the means of production. This represents an important development in Marx's theory of the socialist economy. The recent 13th National Congress of the Chinese Communist Party made it even clearer that the socialist planned commodity economy should integrate planning with market, that planning must be based on commodity exchange and the law of value, and that our task is to make the most of regulation through both planning and market to ensure a co-ordinated development of the national economy. This statement represents a breakthrough in theory, bringing to an end the rule of the ossified economic pattern of counterposing planning to market.

But it is a breakthrough only in our thinking. A breakthrough in the true sense has to be realized through reform. The long-held economic pattern has severely distorted our economic relations, and it will take some time to remedy this. Moreover, due to our lack of experience, mistakes will be unavoidable during the process of reform. So the road to reform will hardly be plain sailing. There may still be twists and turns, but the orientation is set and a solid foundation has been laid for the successful realization of our aim.

To develop the commodity economy by bringing the role of the market into play, we must not only remove ideological barriers but also come to grips with many real difficulties. The commodity economy is underdeveloped and our country's market needs to be improved in many areas. The promulgation of several laws can hardly provide a final solution to the problem of self-management and internal responsibility in enterprises before the old system of administrative distribution of funds and materials is completely abolished and before distorted

pricing is corrected. Changing the old fund and materials distribution system requires the widespread establishment of a goods exchange market and the improvement of the financial market. Improving the price system needs the strengthened macro-control of the national economy (especially over capital construction and consumption funds), to ensure a basic balance of supply and demand in the market. Competitively, all enterprises must be placed on the same starting line. Before the above problems are completely solved, it is impossible to use profit as an impartial referee to judge the successful operation of an enterprise. The only solution to all these problems involves a further deepening of structural reforms. Clinging to the old is not an alternative.

Economist Discusses Reform of Prices, Ownership
HK190630 Hong Kong MING PAO in Chinese
8 Feb 88 p 15

[Report by Lin Chiao-ching (2651 2884 0079): "Economist Li Yining Says Ownership Reform Should Precede Price Reform"]

[Text] Li Yining, professor at Beijing University and a well-known economist, proposed that in view of the current situation of sharp price increases, it is not the right time to conduct price reform and that ownership reform should take precedence over price reform so that we can stabilize the economy in deepening reform.

Li Yining based this proposition on the argument that if China's economic structural reform fails, it will probably fail in price reform and that the success of China's economic structural reform, in the final analysis, lies in the success of ownership reform.

Professor Li Yining said: Some people in theoretical circles hold that under the present situation, we must first improve the investment environment and conduct price reform. They also feel that only by achieving a relaxed economic environment and by rationalizing price relationships, is it possible to conduct other reforms. This is a biased view. He believes that those who hold this view fail to notice that the current price increases are accompanied by the following four situations: 1) Despite price increases, the Chinese mainland has maintained an economic growth rate of 10 percent; 2) household properties worth several hundred millions on the Chinese mainland continue to increase; 3) although one or two foods are now rationed as the supply falls short of demand, most commodities are available without restrictions and the market is brisk; and 4) despite price increases, bank savings on the Chinese mainland have continued to increase, exceeding 300 billion yuan last year. This indicates that the people have full confidence in the economic policy and in market prospects.

In the face of this situation, Li Yining held that there is an overall imbalance (indicated by an overheating economy) and a structural imbalance (indicated by the short

supply of major commodities) in the Chinese mainland's economy. As a result, cost increases and structural imbalance have caused price increases. The tightening up policy advocated by some people at present is to slow down the overall increase, but the structural imbalance will not disappear due to the slowing down of the overall increase. Merely slowing down the overall increase could turn economic growth into economic stagnation. Economic stagnation would make people lose confidence in the prospects for reform, and the imbalance in social psychology might result in an overall shortage of commodities on the market. This would be very disadvantageous for future economic growth. Therefore, Li Yining said that the current situation is not dangerous, and the real danger is to take the road back and to use old methods to control the economy.

On the breakthrough of reform, Li Yining held that at present, we should not continue with price reform but should reform the old patterns of ownership. He held that the contracted management responsibility system now widely instituted in enterprises in the mainland can only solve the problem of the operational mechanism within enterprises and is a low-level reform. But, the stock system would allow key production elements to circulate in society more freely and is a high-level reform. Therefore, the stock system and the contracted management responsibility system are not contradictory. As they solve problems at different levels, they can coexist. The target of reform is to start with the reform of the operational mechanism of enterprises, then to promote the contracted management responsibility system, then to clearly define the title relationships, and finally to institute the stock system. Li Yining held that under the current unbalanced state of China's economy, if we can make good use of such measures as discriminating duties, discriminatory interest rates, the regulation of credit amounts, the elastic wage system, the efficiency piece rate wage system, and the retention of more foreign exchange, we can temporarily bypass price reform. After several years, when conditions are ripe, we can reform the wage system and the price system simultaneously and accomplish the reform in one move so as to solve the toughest problem in economic structural reform.

Theorists on Economic Development Strategy
HK181220 Beijing RENMIN RIBAO in Chinese
5 Feb 88 p 2

[Report: "Seize the Opportunity To Head for the World—Some Theoretical Workers Speak on New Strategies for Outward-Oriented Economic Development in Coastal Areas"]

[Text] Comrade Zhao Ziyang's new strategy on the necessity of the participation of China's coastal economy in international exchanges and competition drew close attention from people at home and abroad immediately after its proposition. How should we comprehend the great significance and main points of this strategy? How should we hold to the orientation of this strategy to

enable the coastal economy and the economy in the rest of the country to head for the world and embark on the road of modernization? The economic department of this newspaper invited some theoretical workers in Beijing to a forum several days ago to discuss these problems, about which the participants talked freely.

Here we publish a summary of the forum compiled by our reporters.

Enabling the Coastal Economy To Shift to the World on a Large Scale Means Enabling the Country To Head for the World on an Even Broader Scope, During Which a New Structure Characterized by the Coordination of Reforms, Opening up, and Development Will Take Place [subhead]

Gao Hongbin (Ministry of Agriculture, Animal Husbandry, and Fishery): The world is opening up, as is China. No country in the world can make progress by secluding itself from the rest of the world. The 9 years of reform and development are 9 years of opening up to the world step by step. Enabling the coastal economy to shift to the world on a large scale is a new process in which the country will open up wider to the world. It means that the country will head for the world on an even broader scope. To put this strategy into effect, it is necessary to adjust China's economic development structure in such a manner that the country's economy develops amid the rapid changes in the world industrial structure, apart from enabling the country to participate in international exchanges and competition. During this period, efforts should be made to form a new structure characterized by the coordination of reforms, opening up to the world, and development. This new strategy has great and far-reaching significance. It would be inadequate to interpret it just as a foreign trade or coastal development strategy.

Zhao Ming (State Planning Commission): The way to end China's traditional economic structure is to consider its economic development from a wider angle and seek an international circulation structure. China's economy has for long been under a "dual structure." Its agriculture is backward. Heavy industry started very early in the country but has been unable to enter the international market. The entire economy is basically in a state of self-circulation. In adjusting the relationship among heavy industry, light industry, and agriculture, one difficulty encountered is that they contend for funds. How should we resolve this? Should we borrow money from abroad? We cannot borrow too much money from abroad; we would not be able to repay even if we could borrow it. We should work out a new strategy to seek large-scale international circulation. We should develop a labor-intensive industry to increase our foreign exchange income. We should develop heavy industry and use the transformation of heavy industry to promote light industry and domestic technology-fund-intensive industries for the final purpose of the coordinated development of agriculture, light industry, and heavy industry.

Zhu Jiaming (Chinese Academy of Social Sciences): Taking international development as the background of China's development strategy was a proposition put forth in the early 1980's. At that time, the strategy was interpreted only in connection with a small scope of development. Now, China's new strategy has taken the overall situation into account and combined the country's development with that of the world. When formulating a strategy, we should give overall consideration to the coordination of reforms, opening up to the world, and development.

An urgent task for us is to study and have a good knowledge of the present international environment. We should admit that we do not know much about the international environment. Some comrades know much about the international situation, but have little knowledge of the domestic situation. I suggest that RENMIN RIBAO encourage the contribution of articles on the rapid changes in the international situation. Discussions should focus on this serious topic: China is already falling behind; it will fall further behind if it does not see the rapid changes in the international situation.

Do Not Let Slip the Historical Opportunity of Developing a Labor-Intensive Industry and Participating in International Exchanges and Competition; This Will Help Invigorate the Overall Situation in the Course of Reforms and Development [subhead]

Li Qingzeng (Chinese Academy of Social Sciences): Developing an outward-oriented labor-intensive industry is of both practical and strategic significance, because it combines our economic strategy with rural development, puts our abundant labor resources in the entire economic strategy, and will end the traditional "dual structure." China is entering the period of rapid escalation of labor supply. The net increase of laborers from now until the end of this century has been estimated at 150 million. No economic strategy will succeed without taking this point into account. Some comrades said that the purpose of developing an outward-oriented industry is to resolve the problems of funding heavy industry and exercising monopolized procurement in the rural areas. This is returning to the old practice of developing heavy industry to the neglect of agriculture.

Liu He (State Planning Commission): Having abundant labor resources is both China's difficult and strong point in its economic development. Viewed from the angle of international exchanges instead of from the angle of close-type circulation, having abundant labor resources is good to developing a labor-intensive industry. Transferring labor resources is in fact combining increase and development. The past economic development strategy only demanded increases in steel and grain output, thus separating increase from development.

Gao Hongbin: Labor-intensive industry originates from a developed nation and is now being absorbed by developing nations and regions. This is a wave in the present

world industrial structural reform. As China has many laborers and its labor service costs are low, it should make efforts to stand in the forefront of this wave and develop a labor-intensive industry. We should realize that if we do not take the present opportunity to develop a labor-intensive industry, other people will seize it. Moreover, the strong points of a labor-intensive industry will possibly weaken following the rapid changes in the world industrial structure. For this reason, we should not lose this rare opportunity to develop a labor-intensive industry. Seizing this opportunity, we will be able to turn our weak points into strong ones. We will be able to resolve the employment problem, invigorate the rural areas, increase the foreign exchange income for the country, and facilitate our communication with the world. This is "using one aspect to invigorate the whole" in the course of reform and development. In no case should this opportunity be allowed to slip by.

Lin Yifu (Rural Development Research Center of the State Council): China's economic development cannot skip over a labor-intensive period. When funds were running short in the past, we encouraged the use of all resources for the development of capital-intensive heavy industry. In such cases, we had no alternative but to distort market prices and keep the prices of agricultural products very low. This inward-circulated economy was, naturally, kept outside the world economic system.

In the Course of Exercising the New Strategy, Many Obstacles Are Bound To Crop Up and a More Overall and Profound Reform Will Certainly Be Involved; the Most Important Thing Is To Make Up Our Minds and To Be Cautious in Our Work [subhead]

Lin Yifu: To provide a climate for the development of an outward-oriented economy, we should at least introduce the following reforms: 1) If enterprises can easily get access to funds, they will easily assume a capital-intensive rather than a labor-intensive nature. Therefore, we should open the capital market wider so that interest rates can fully display the value of capital. 2) The existing foreign exchange management system should be reformed. Under this management system, "domestic sales of products make much profit, whereas sales of products abroad make no profit." The distortion of exchange rates has resulted in foreign exchange demand exceeding supply, hence to the distribution by administrative means and the emergence of all sorts of drawbacks. Obviously, we cannot but reform this management system. 3) We should reform the foreign trade system. Labor-intensive products are produced in small quantities and in a decentralized manner. It is difficult for the state and foreign trade departments to exercise uniform management over these products; an intermediate tier is therefore necessary. In introducing the business forms of "processing provided raw materials, processing according to provided samples, assembling with provided components, and compensatory trade," Guangdong relies on the Hong Kong market as an intermediate link. Agents and brokers should be allowed

to appear in economic activities. In particular, in exchange centers in which Chinese and international economic activities proceed, it is all the more necessary to allow agents and brokers to do their bit instead of just exercising foreign trade control.

Bai Nansheng (Rural Development Research Center of the State Council): The outward-oriented development of township and town enterprises is one of our strong points. However, we are encountering a number of difficulties because major reform has not been introduced to the foreign trade system. One example is the obstacles to obtaining information. Important information on foreign trade is monopolized by some foreign trade departments. It is difficult for the peasants to know what and how to produce. Fluctuations in the production of rabbit hair and Chinese medicines over the last few years has been due to improper management by foreign trade departments. In some countries and regions in which outward-oriented economies have developed fully, there are many small outward-oriented enterprises that are well informed of the international market situation. In reforming China's foreign trade system, we should also change the exclusive operational method, set up a large number of foreign trade intermediate companies, and provide township and town enterprises with more autonomy for their economic activities.

Tian Jun (State Planning Commission): There is still a number of major obstacles to the implementation of the new strategy. This must be seriously studied. Take electric power, for example. The entire country lacks 15 million kilowatts annually, 15 percent of the total electricity generated. In developing an outward-oriented processing industry, the shortage of basic facilities poses a big problem.

Yang Mu (Chinese Academy of Social Sciences): There are three cases in coastal trade choices: The first case is industry that cannot be imported from abroad, such as the energy industry; the second case is the raw materials industry, which may be resolved by means of imports; and the third case is agriculture, in which large-scale imports seem impossible, but some imports may still be considered.

Another problem is whether there is still potential to tap from the international market. Although today is different from the period of the great development of international trade in the 1960's, it is still possible for China to increase the proportion of its trade to the international trade volume. The main obstacles to the development of our foreign trade are the restrictions caused by the foreign trade system and high production costs. How should we obtain the necessary funds? Foreign trade system reform is indeed necessary.

Jiang Zhongyi (Rural Development Research Center of the State Council): Two problems merit consideration: One is the inadequate number of intermediate organizations in exports. Relying on the existing foreign trade

system to increase foreign exchange earnings through exports is far from sufficient. It is not that our products lack competitiveness but that they lack an intermediate link. Another problem is the gap between developed and underdeveloped regions in the country which will broaden after a period of development. Great changes will take place in the financial and grain systems. For example, Jiangsu is now a grain producing province, but it may possibly turn into a grain importing province. This will involve the adjustment of interests between many departments and regions. In other words, it involves striking a balance among the interests of regions.

Zhu Jiaming: Restrictions from all sides will impact on the new development strategy. It is good that we have noticed these restrictions. On the other hand, however, many problems are being resolved. We cannot just see the lifeless phenomena to the neglect of the role of "micro-circulation" and "micro-climate" and the possibility of using opportunities to create opportunities. Deepening reforms in the course of opening up to the world will enable us to blaze a new trail. Many problems in Dongguan City that people thought were difficult to settle have now been resolved. If we had a hundred cities like Dongguan, the situation would be greatly different.

Magazine Discusses Chinese Securities Market
OW190147 Beijing BEIJING REVIEW in English
1-7 Feb 88 p 20

[By correspondent Yue Haitao]

[Text] Establishing a market where individuals and enterprises can buy bonds and other securities is one way of raising capital for economic construction. The process began with the introduction of financial reforms in 1981 and it looks promising.

On the one hand, the introduction of the production responsibility system has increased the income of enterprises and individuals, creating a marked growth in idle money on the economy. On the other hand, there is a persistent shortage of funds for investment which cannot be remedied simply by borrowing from the banks. So long-term financial markets have opened up.

The proposition was put forward by a group of young economists at a national meeting of the China Financial Association in May 1984 and it aroused widespread interest. In the following two years, bonds and other securities were issued in China's 12 provinces and municipalities. In the latter half of 1986, securities markets opened in Shenyang and Shanghai.

From the beginning, this reform has been under state guidance and control to ensure that the positive purpose of creating investment is served without becoming a hotbed for speculation out of which a "profiteering" class could arise.

The government stipulated that indirect financing (bank loans) must predominate and direct financing should only be auxiliary. First to come were short-term money markets for borrowing and bill discounting services between banks, and foreign exchange lending between enterprises, and only later were long-term securities markets to be set up.

The People's Bank of China, China's central bank, recently declared that in the next five years it would authorize various specialized state banks to issue 10 billion yuan in capital construction securities for key enterprises.

Issues and Exchange [subhead]

The trial reform began in the more developed cities. On August 5, 1985 China's first stock market came into being in Shenyang, an important industrial centre in northeast China. Following that, similar markets opened in Shanghai, Wuhan, Guangzhou and Chongqing.

All these markets are operated by state banks. The securities issued are usually in two forms—financial bonds and enterprise debentures. The financial bonds are more often than not issued publicly and regularly. Their annual interest rate is 9-10 percent, higher than that for both one-year savings deposits (7.2 percent) and state treasury bonds (8 percent for individuals and 4 percent for corporate holders). The enterprise debentures come in more diverse forms. Their interest rates are lower than those of bank savings deposits, but the holders are usually accorded priority in obtaining goods which are in short supply on the market.

Most enterprises issue debentures to their staff and corporate investors. Only a small number may be put on the market, attracting buyers with colour TV sets and famous-brand bicycles, or offering them priority in obtaining housing and cooking gas. This exerts a considerable pull on prospective buyers.

The debentures have different face values and their terms range from one year to eight years. Unregistered and carrying no compensation when lost, they can be freely transferred.

In Shenyang, six companies issued ten kinds of debentures, bearing interest 20 percent higher than bank deposits. Of this extra about one-tenth was distributed as payments to the holders and the rest used to buy the prizes. According to Luo Zhenghong, deputy general manager of the Shenyang Trust and Investment Corporation, which is the sole agency in charge of issuing bonds and securities, most people buy debentures in the hope of winning the prizes. In general, about 26 out of 100 holders will win a prize, the first prize can be as high as 8,000 yuan (about US\$2,150).

The ceremony to pick the prize winners is usually held several weeks after the bonds are issued. In Wuhan, 23-year-old Qiu Chengfan bought four 100-yuan bonds, one of which had a winning number. She won a certificate allowing her to buy state-priced liquefied cooking gas. She said this had greatly improved her standing with her finances as well as her future parents-in-law. "I intend to buy a few more. They may help me get a new flat, who can tell," she said.

To stop speculation, the price at which securities change hands is usually lower than the initial purchasing price. For instance, the Shenyang Real Estate Company issued two-year debentures in 1985. With a face value of 50 yuan each, their purchasing price was 45 yuan and selling price, 46 yuan. The Shenyang Stock Market has been busy since its establishment, total transactions at the market exceeded 18 million yuan, accounting for 4.55 percent of the 400 million yuan worth of securities issued in the city.

The Chinese Government stipulated that the state treasury bonds could not be bought and sold. But in Wuhan they have been put on the market. In the opinion of Qian Kuangshi, a responsible member of the Wuhan Financial Market, permitting transactions in treasury bonds would vitalize the long-term finance market.

In fact, street peddlars in Wuhan and other cities speculated in the exchange of plastic goods and chinaware for treasury bonds to their own advantage. As a result, the treasury bonds suffered a fall in value ranging from 25 to 50 percent. Now, the government has been in principle agreed to lift the ban on market circulation of state treasury bond, as a result of appeals from departments in charge of securities market in Shenyang, Wuhan, Shanghai and elsewhere.

No Boom in Sight [subhead]

Even the most optimistic are cautious of predicting a boom in the securities market.

Liu Hongru, vice-president of the People's Bank of China, says China lacks a well-developed credit system and actually practises the mandatory policy of cutting down investment in fixed assets. The public is not accustomed to buying and selling securities; and the government needs time to study a series of important questions concerning issues and transfers of bonds and debentures.

Masanori Ito, former deputy general manager of Japan's Nomura Securities Co. and now economic advisor to the Chinese Government, says inefficient book-keeping and an inadequate legal system, insufficient specialized organizations, a serious shortage of trained personnel and the lack of enterprise autonomy all are obstacles in the way of China expanding its direct financing.

Shi Lei and Ao Huicheng, two experts at the Planning Department of the People's Bank of China, believe there is not enough idle money in society to fuel an expansion of the long-term financial markets. According to statistics they collected, bank deposits total 400 billion yuan. This breaks down into the following: Enterprise deposits, 160 billion yuan; treasury deposits by governments at various levels, 529 million yuan; deposits made by Party and state departments, people's organizations, Army units and rural credit co-operatives, 100 billion yuan; and personal deposits, 100 billion yuan. The first three categories are needed working funds and cannot be put into circulation in the financial markets. As for personal savings, most of them will be spent on consumption and only one-third can possibly be used to buy securities.

Apart from these deposits, there is an estimated total of 140 billion yuan of extra-budget funds, the profits retained by enterprises since the introduction of flexible economic policies. Most of these, however, will be used by the enterprises to cover costs for updating their equipment, welfare, bonuses, etc. Not much would be left for the financial market.

Therefore, the two experts conclude, a major development in China's securities market is out of the question in the next few years.

Bank of China Active in International Finance HK190708 Beijing ZHONGGUO XINWEN SHE in Chinese 1241 GMT 5 Feb 88

[Report by Wang Qiang (3769 1730): "The Bank of China Becomes Increasingly Active in International Financial Circles"]

[Text] Guangzhou, 5 Feb (ZHONGGUO XINWEN SHE)—The Bank of China has become an increasingly active figure in international financial circles. It conducted a total amount of some \$30 billion in foreign exchange, bond, and gold transactions in the international market last year.

As revealed by the conference of the presidents of the branches of the Bank of China in China, which is being held in Shunde County, Guangdong, the bank also engaged in short-term funds with foreign banks last year, involving a total of some \$27 billion. Moreover, the bank raised \$1.3 billion in funds from abroad for China.

The Bank of China deals with foreign exchange and the state's foreign trade. With the increase in the foreign exchange reserves and the tremendous growth of the state's foreign trade, the bank's small-scale trading in foreign exchange and gold, handled by several overseas agents in the past, has developed into direct large-scale foreign trade handled by special departments of the bank. In light of the trend towards the development of stock exchanges in the international financial market, it has also developed stock exchange business.

Last year the Bank of China adopted flexible fund-raising methods and raised some \$1.3 billion in long- and medium-term foreign funds for key state construction projects. It also opened new fund-raising markets in London, New York, and so on.

As of now, the Bank of China has a total of 309 overseas organizations and some 11,000 staff members.

Land-Use Rights of Foreigners Discussed
OW190201 Beijing BEIJING REVIEW in English
1-7 Feb 88 p 4

[Article by Zhang Zeyu: "Land-Use Right for Foreigners"]

[Text] The government of Haikou, Hainan Island's major city, recently published a set of rules governing the transfer and sale of land-use right. This has made Haikou the third city after the Shenzhen Special Economic Zone and Shanghai to try out the transfer of land-use rights.

The land-use rights transfer implies that the right to use state-owned land is given to foreign individuals or companies, which may in turn transfer the right to others and sell the buildings on the land.

The duration of such rights is usually 20-50 years. Enterprises and other economic organizations as well as citizens of certain countries, i.e. those which have diplomatic relations with China or have business representative offices in China, may apply for such land-use rights.

The transfer signals the end of an era of free use of state-owned land without compensation, because land-use right is now seen as a commodity. This reform in the land system will be conducive to the investment environment, the open policy and the development of the urban economy.

For a long time, the Chinese Government has allowed indefinite and free use of its land. In recent years, with the establishment and improvement of a socialist commodity economy and the introduction of market mechanism, the drawbacks of this old system have become more and more apparent. While urban land is often wasted, the state receives no revenues from the land in the cities. In fact the state must apportion large sums of money for urban development. The more new urban areas are developed, the heavier the financial burden on the state. This vicious circle takes its toll on the circulation of construction funds, thus hindering urban economic development.

Many places abroad reap great revenues from their publicly owned land resources. For instance, in Hong Kong land-related income accounts for up to 30 percent of the government's revenue. The income is used for development of other areas and for social welfare. China might try doing the same.

The transfer of land-use rights is a complicated matter. The Shanghai municipal government promulgated the Regulations Governing the Transfer of Land-Use Rights last month. This year it will enact another 10 legal documents concerning investment conditions and environment. Only then will it begin to put some land up for auction. It is reported that at first 2.9 hectares will be offered.

There is a view that the transfer of land-use rights by the Chinese Government is no different from allowing foreign invaders to establish concessions in coastal cities in old China. This is a misunderstanding. First, renting out land for a fee is not a concept peculiar to the capitalist world, but one for any society with a commodity economy. Therefore, it can be employed in both capitalist and socialist countries. Second, the transfer of land-use rights means allowing overseas businesses to rent land within restricted areas in the open cities with the expectation that they will construct roads, build water, electricity and gas supply systems, sewers and drains and telecommunications facilities. They can put up residential, commercial or factory buildings on the rented land which they can sell, use or rent out.

What the foreign businesses get is only the right to use the land, while the ownership of the land and the powers to legislate and administer in the rented area remain with the Chinese Government. Foreign enterprises and individuals must abide by Chinese law and respect the judicial power of the Chinese courts, unlike the situation in the foreign concessions before liberation. At that time, the concessions were like "states within a state" and foreigners in the concessions enjoyed extraterritoriality, which harmed the country's sovereignty. No such status will be enjoyed by buyers of land-use rights.

Dispatch on Flight Test Technology Gains
HK180138 Beijing RENMIN RIBAO in Chinese
14 Feb 88 p 3

[Dispatch from Xian by RENMIN RIBAO reporter Jing Xianfeng (2529 7145 1496) and XINHUA reporter Su Minsheng (5685 3046 3932): "China's Flight Test Technology Is Now Up to World Standards"]

[Text] Located in the suburban Xian, China's Flight Test Research Center has, over the past 3 years, conducted test flights on 10 military aircraft of three new types, which have been developed by our country. After visiting the research center, a professional test flight delegation from the United States, which stands in the forefront of the world in this field, held that the theory and methods of test flight applied here and the requirements of piloting technology are similar to those in the United States. Our flight test technology is now up to the world standards.

At a meeting held on the morning of 10 February to celebrate the successful test flights for approving three types of planes and to commend personnel performing

meritorious services, a responsible person responsible for testing the new planes said: Since 1984, China's Flight Test Research Center has succeeded in carrying out test flights on Jian-8 high-altitude high-speed fighter, Jian-7 medium- and low-altitude interceptor, and Jian-jiao-7 high-speed and high-grade trainer. By adopting an internationally advanced test flight real-time data monitoring system and air-borne measuring instrument it has reached an advanced world level in terms of scientific character, accuracy, and safety.

A test flight is a flight or simulated flight of a new plane in a real atmospheric environment in order to verify the plane's various technological performance indexes and to see whether the various ground test results are correct. It is the final, total verification in the development of a new plan and therefore involves great risks.

Started in the early 1960's, China's test flights lagged far behind the advanced countries at that time. In the course of reform and opening up over the past few years, we stepped up technological cooperation with foreign countries, imported advanced test flight facilities, and persisted in carrying out technological transformation. We have succeeded in developing various special test flight facilities, such as air-borne test machines for electronics facilities, engine flight bedstands, and seat ejection test machines, as well as many surface simulated test facilities, thus raising the test flight technological level.

China's Test Flight Research Center is the largest of its kind in Asia and its airport can accommodate any heavy-duty planes in the world. The center has more than 1,700 professional workers, including 238 senior engineers, more than 700 engineers, and a number of skilled, courageous, and staunch test pilots. Since its founding 28 years ago, the center has conducted test flights for approving 20 types of new planes, as well as improved types of planes, as assigned by the state. It has also undertaken space flight research study.

To accomplish test flights for approving three types of planes, the center has conducted about 2,000 test flights for a total of over 1,100 hours and completed 230 scientific research items. For this, 143 people have either been awarded Merit Citation Class One or commended.

Importance of Family Planning Stressed
OW181348 Beijing in English to North America
0300 GMT 18 Feb 88

[Text] China is experiencing a baby boom that is expected to last more than 10 years. The first step in dealing with the situation will be a nationwide survey. A spokesman from the State Family Planning Commission said that the government plans to get precise data showing the present population situation in the country. (Chen Guang) has the report.

A survey on fertility and birth control will start on 1 July this year. More than 2 million people will be surveyed. Each of them will answer more than 100 questions. The results are expected to provide a reflection of the population situation in each province, autonomous region and municipality, showing the overall situation in the country. This is China's second baby boom in 2 years. In 1986, more than 21 million babies were born, nearly 20 percent more than the previous year. Another 22 million babies were added to China's population last year, and experts say that the rapid population growth will likely continue until 1995.

However, experts believe that the present baby boom is not as serious as the one in the 1960's. They credit this to China's adoption of certain regulations to control the birth rate since that time. Today's age ratio and the fact that more women are entering their childbearing years is affecting today's rise along with the increasing number of planned second children in the countryside. [words indistinct] According to statistics, the number of fertile women had increased by 7 to 8 million by 1986. Today, China has about 300 million women of childbearing age. There are also more young women intending early marriages today. Only [figure indistinct] percent of them were married under the age of 23.

Solutions are there to deal with this situation. There are more attempts to instruct on the country's Marriage Law and other regulations. More publicity is being called for as well to deal with the implication of early marriage. There are other newer measures to be taken in order to solve the problem of the growing population. New community-based groups will be set up to ensure that people follow sensible family planning practices. For instance, women of childbearing age could be required to sign contracts with these grass-roots organizations. These women will be urged to use effective contraceptive methods. Population education will be stressed in high schools so that younger people will be properly aware of their responsibilities.

China's future depends on a stable population. Information and education is the first step toward keeping the population problem in check.

Yan Di Mausoleum Expected To Reopen
OW170740 Beijing XINHUA in English 0636 GMT
17 Feb 88

[Text] Changsha, February 17 (XINHUA)—The mausoleum of Yan Di, one of two legendary founders of the Chinese nation, now being renovated in Lingxian County, Hunan Province, is expected to reopen later this year, XINHUA learned today.

The 800,000-yuan project started more than a year ago and has involved restoring four main buildings in the 1,061-square-meter mausoleum.

The buildings, which were constructed in the Song Dynasty of 1000 years ago in memory of the legendary "emperor", include a tomb tablet pavilion, a tablet hall, a salutatory pavilion and the main palace.

The main palace was destroyed in a fire in 1954. It is being reconstructed in its original style. The brick and wood structure is supported by 30 stone columns and is covered with glazed tiles.

It is said that Yan Di was a tribal chieftain at ancient time. He pioneered healing the sick, promoted farming and textiles, opened up markets for commodity exchange, and invented musical instruments.

His tribe expanded its influence to the central plains (composing the middle and lower reaches of the Yellow River) which was then controlled by another legendary chief Tan Huang Di ("yellow emperor") with whom Yan Di entered into alliance. The two became the legendary founders of the Chinese nation and a symbol of its unity.

To show their respect, the Chinese built mausoleums in Shaanxi Province for Huang Di and in Hunan for Yan Di. However, the latter was badly damaged during the 1966-1976 cultural revolution.

In the early 1980s, there was a strong cry for restoring the mausoleum. The renovation is the outcome of a motion by Lingxian teacher Ma Anjian to the National People's Congress in 1983.

Contributions for the project have come from workers, farmers, soldiers, intellectuals, veteran revolutionaries and overseas Chinese.

About 50 relics including engraved tablets, lion sculptures and stone drums have been collected on the site.

Meanwhile, noted calligraphers and painters as well as party and state leaders have written over 200 inscriptions.

East Region

Fujian Leaders Attend Spring Festival Gathering
OW190220 Fuzhou Fujian Provincial Service
in Mandarin 1100 GMT 17 Feb 88

[Excerpts] Over 700 people from various circles of the province and cities cheerfully gathered in Fuzhou's Meifang Guesthouse this morning to celebrate the arrival of the Year of the Dragon. This Spring Festival gathering was jointly held by the provincial party committee, the provincial Advisory Commission, the Standing Committee of the provincial People's Congress, the provincial government and the provincial CPPCC Committee. Attending the get-together were Chen Guangyi, Wang Zhaoguo, Jia Qinglin, Hu Hong, Cheng Xu and other leading comrades from the provincial party committee, the provincial Advisory Commission, the Standing Committee of the provincial People's Congress, the provincial government, the provincial CPPCC Committee and the provincial Planning Commission. [passage omitted]

At 9:10 a.m. [0110 GMT], Comrade Wang Zhaoguo announced the opening of the meeting and wished everyone a happy New Year. [passage omitted] Comrade Chen Guangyi addressed the meeting. He said: While celebrating the new year, we are also delighted to see the profound changes experienced by Fujian since the 3d Plenary Session of the 11th CPC Central Committee. Last year was a year of achievement that saw progress in economic and social development. The movie, Land of Fujian, we are going to see today will show that Fujian's situation is getting better and better each year. We will see that this has come about through Fujian's experiencing political stability and unity, undergoing various changes and moving toward prosperity with reform programs and construction projects, and constantly improving the living conditions of its people. Fujian is heading for tremendous development. During the new year, we must fully carry out the guidelines of the 13th party congress and the policies to stabilize economy and deepen reforms, as well as expedite the development of coastal areas. It is necessary to vigorously promote export-oriented economy in accordance with what was laid out last year by the provincial party committee at its year-end work meeting. This is important so that our economy will proceed moderately while taking a major step toward the goal of quadrupling production 5 years ahead of target, thus setting a new stage for the building of socialist material and spiritual civilizations.

Comrade Chen Guangyi carefully pointed out 10 objectives that should be accomplished by the people in Fujian. He finally said: This year will be the first year to carry out the guidelines of the 13th party congress. It is also the starting year for the implementation of the strategies for economic development of coastal areas. Fujian is striding forward. We are full of hope and confident of reform, constructions, and opening to the

outside world. Let's all strive to expedite Fujian's economic development with our determination under the banner of building socialism with Chinese characteristics. Let's make 1988 a year of deepening reform and further opening to the outside world, a year of progress and unity and a year of more achievement.

Shanghai Leaders Extend New Year's Greetings
OW190453 Shanghai City Service in Mandarin
2300 GMT 17 Feb 88

[Excerpts] The leading comrades of the Shanghai Municipal CPC Committee and the municipal government visited factories, post offices, piers, warehouses and hospitals yesterday. They extended Spring Festival greetings to the masses of staff members and workers, physicians and nurses, public security cadres, and policemen who were working hard at their various posts during the Spring Festival holidays.

Jiang Zemin, secretary of the municipal CPC committee and mayor of Shanghai; and Ye Gongqi, vice mayor of Shanghai, visited the water transport department of the Shanghai Foodstuffs Industry Corporation along the Huangpu River to extend Spring Festival greetings to the workers moving frozen pork from the warehouses. The mayor was pleased to learn that there was plenty of pork in storage. Later, Mayor Jiang Zemin and his entourage visited a hospital in the Jingan District. He and Chen Tiedi, Standing Committee member of the municipal CPC committee, visited various wards and wished the patients in the wards speedy recovery. On the morning of 17 February, Mayor Jiang Zemin also called on commanders and fighters of the Shanghai Garrison Command, wishing them a happy Spring Festival. [passage omitted]

Zeng Qinghong, deputy secretary of the municipal CPC Committee; and Liu Zhengyuan, vice mayor of Shanghai, yesterday visited the Zhongxin Hospital in Huangpu District and sent their greetings to the medical workers and patients there. Zeng Qinghong cheerfully said: Our medical workers are outstanding. We must commend a number of outstanding medical workers who have dedicated themselves, willingly borne the burden, wholeheartedly served the patients, and brought their fine ideas and style of work into full play.

Vice Mayor of Shanghai Ni Tianzeng yesterday visited the Shiliupu Ferry of the Shanghai Ferry Company and the Ferry Boat No 76. They shook hands with the ferry captain, sailors and workers, wishing them a happy Spring Festival.

Xue Ju Visits Zhejiang Masses on New Year
OW190203 Hangzhou Zhejiang Provincial Service
in Mandarin 1000 GMT 17 Feb 88

[Excerpts] Party, government, and Army leaders of Zhejiang Province and Hangzhou City, in eight groups, visited workers, PLA fighters, policemen, and medical

personnel in factories, PLA units, construction sites, business firms, post offices, and hospitals in the early morning on Chinese New Year's Day. The leaders gave their cordial regards to those personnel working on Chinese New Year's Day and encouraged them to make greater achievements in the new year.

The leaders who made the visits were Xue Ju, Shen Zulun, Chen Fawen, Wu Minda, Yuan Fanglie, Luo Dong, Shen Guifang, Tie Ying, Chen Anyu, Yang Bin, Xu Xingguan, Li Debao, Chai Songyue, Shang Jingcai, Qiu Qinghua, Wu Renyuan, and Zhong Boxi.

Comrades Xue Ju, Shen Zulun, and Wu Renyuan first visited the 1st Company of the Hangzhou Detachment of the People's Armed Police Corps and wished the cadres and fighters a happy Chinese New Year. [passage omitted] They then visited a PLA unit in Zhejiang. [passage omitted]

Southwest Region

Guizhou Official Advocates Paid Medical Care
OW181131 Beijing XINHUA in English 0904 GMT 18 Feb 88

[Text] Beijing, February 18 (XINHUA)—A system of fees for medical services should be instituted in China, a provincial health official has urged in a report in today's HEALTH NEWS.

Workers in China's state-owned enterprises and institutions currently enjoy free basic medical care.

But this is a growing burden on the state budget, said Zeng Guoheng, director of the provincial health bureau in Guizhou Province in Southwest China.

"China is still in a primary stage of socialism and a new medical care system should be built in line with this understanding," he said.

Noting that Guizhou is one of the most economically backward provinces in China, Zeng said that the province should be given more flexibility and it is impossible to allocate a big sum of money to develop medical care in the province, he said.

The official said that incomes were rising each year and thus more people should be able to pay for medical service.

He felt a responsibility system of management should also be applied in hospitals and other medical units and that medical workers should be paid according to their performance.

Xizang Secretary Calls on Tibetan Notables
OW190610 Beijing XINHUA in English 0228 GMT 19 Feb 88

[Text] Lhasa, February 19 (XINHUA)—Wu Jinghua and other leaders of the Tibet Autonomous Region Thursday paid visits to notables in Lhasa at the start of the Year of the Earth Dragon in the Tibetan calendar.

Wu, secretary of the Tibet Regional Committee of the Chinese Communist Party, expressed thanks for their contributions to upholding China's unification, strengthening unity among different ethnic groups, and expanding the economy.

He asked them to air comments and views on the work of the party committee and the regional government.

The notables, who included Pagbalha Geleg Namgyai, Samding Doje Pamo, Lhamin Soinam Lhunzhub, Jangzhong Zhaixi Doje, Jimzhong Gyaincain Puncog, and Xoikang Tubdain Nyima, pledged to continue building a united, prosperous, and civilized Tibet.

Wu also visited the home of Gangzhu, director of the Chongsaikang Neighborhood Committee near the Octagonal Street in downtown Lhasa.

Yunnan's Pu Chaozhu Greet Overseas Chinese
HK190417 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 18 Feb 88

[Excerpts] Over 10,000 returned Overseas Chinese and their dependants, and Overseas Chinese affairs workers, held a grand gathering in Kunming yesterday to celebrate the Spring Festival. [passage omitted] Provincial leaders Pu Chaozhu, Liu Shusheng, Liang Jia, Yu Huoli, and Dao Guodong attended the celebration and extended New Year greetings to the Overseas Chinese and their dependants.

North Region

Beijing's Li Ximing Addresses Supervisory Forum
SK190740 Beijing BEIJING RIBAO in Chinese 5 Feb 88 p 1

[Text] On 4 February, Li Ximing, member of the Political Bureau under the CPC Central Committee and secretary of the Beijing municipal party committee, delivered an important speech at the forum attended by the directors of supervision bureaus at the district-county level. Li Ximing pointed out: In building a socialist modern country, we must have powerful administration and supervision organs. Cadres in charge of supervision work should have the spirit of devoting themselves to the country and high sense of party spirit, uphold the principles, and successfully conduct their work by willingly bearing the burden.

The forum, concluded on 4 February, is the first municipal meeting in this regard since the restoration of supervision organs. In his speech, Comrade Li Ximing stated: During the new historic period, the restoration of supervision organs at all levels is aimed at correctly implementing the party's principles and policies, ensuring the smooth progress of conducting reforms and opening to the outside world, and at enhancing the self-supervision of administration organs after separating party affairs from government work. Over the past few years, ideological changes in the cadres' rank have been very great and most cadres have upheld the principles of party spirit, actively participated in reforms, and been upright and honest in performing duties. However, there are a few people who have not been able to resist the corrosive influence of bourgeois ideology and they have committed mistakes. Therefore, the establishment of supervision organs represents an important measure to cherish cadres and enhance the building of a cadres' contingent.

In his speech, Li Ximing urged the cadres of supervision organs to earnestly study the party's line, principles, and policies; to uphold the principle of seeking truth from facts; and to study or deal with the problems according to the policies, the law, and the legal discipline. It is necessary for them to have the spirit of devoting themselves to the country and to fear neither hardship and the suffering of losses nor scold and attack. They should play a model role in various fields, do things in line with the law, consciously abide by party discipline and political and legal disciplines, be upright in performing official duties, and should be impartial and incorruptible. Only by so doing can these cadres be sincerely convinced by the people and be supported by the broad masses of party members, other cadres, and the people. He also urged the cadres of supervision organs to arduously do pioneering work, vigorously upgrade their political quality and their professional standards, establish or improve systems or regulations and rules, and pave a road to carry out their supervisory work as soon as possible.

In his speech he also urged the leading cadres of party and government organs at all levels and various social circles to support the supervisory work and to do a good job in building socialist democracy and legal systems.

The forum put forward the opinion to urge the municipality to emphatically investigate or deal with the following three kinds of cases: 1. Those violating discipline and related to foreign trade. Efforts should be made to emphatically investigate or deal with cases committed in foreign economic activities violating discipline concerning foreign affairs and causing great losses to state property, such as embezzlement, bribe acceptance, dereliction of duty, and information leakage. 2. Cases concerning dereliction of duty. Acts concerning dereliction of duty represent the evil consequence resulting from serious bureaucracy, which should be blocked by strictly enforcing the discipline. Those who have committed

these acts should be punished by imposing administration sanction on them and be dismissed from their posts. 3. Cases violating discipline and committed by those who are subject to the supervisory operation. Problems violating discipline and committed by administration personnel of the state apparatus at all levels and by leading cadres employed by the state apparatus for the state-run enterprises should be investigated or dealt with by the supervision departments at all levels.

Northeast Region

Jilin's Gao Pays New Year's Visit to Workers
SK190803 Changchun Jilin Provincial Service
in Mandarin 1030 GMT 17 Feb 88

[Excerpts] [Passage omitted] On the morning of 17 February, leading comrades from the provincial party committee, the provincial people's government, the Changchun city party committee, and the Changchun city people's government, visited the broad masses of staff members and workers who continue to work on festive days to extend festive greetings.

At 0900 on 17 February, leading comrades, including Gao Di, Liu Xilin, and Wu Yixia, arrived at the Jilin provincial people's hospital. [passage omitted] During his visit in the hospital, Comrade Gao Di received all medical personnel at the hospital's activity center. During the reception he inquired about matters concerning the reform conducted over the past few years in the hospital system, hospital management, equipment supply, the establishment of lateral cooperative system, the (?services), and the welfare and payment of staff members and workers. He encouraged the hospital's cadres and medical personnel to take the lead in conducting reforms on the public health front throughout the province. [passage omitted]

During their visit, leading comrades including Gao Di arrived at a street car station where they asked the station's personnel about their working and living conditions and the passengers about their opinions on the service. [passage omitted]

Then, leading comrades, including Gao Di, went to the provincial broadcast station in which they extended festive greetings to the staff members and workers who were continuing to work on festive days. They said:

[Begin recording] We are very grateful for having the people throughout the province listen to your programs with satisfaction over the last year. Your voice represents the voice of the party and the government. The party's policies and the province's excellent situation can only be made known to the people throughout the province through your voice. We wish you success in scoring still greater achievements in conducting reforms in your production and work in the new year. [end recording] [passage omitted]

During their visit, leading comrades, including Wang Zhongyu, deputy secretary of the provincial party committee; Gao Wen, vice governor of the province; and (Sun Lingzhi), deputy secretary of the Changchun City party committee, arrived at 0850 in the morning at the Changchun city fire brigade to extend festive greetings to all cadres and fire fighters at the brigade. [passage omitted]

Northwest Region

Gansu Establishes Supervision Department
I'K190549 Lanzhou Gansu Provincial Service
in Mandarin 2300 GMT 18 Feb 88

[Text] With the approval of the State Council, the Gansu Provincial Supervision Department was officially established recently. This department is a functional department of the provincial people's government. Responsible for supervisory work, it is under the dual leadership of the provincial government and the Ministry of Supervision.

The targets of this department include the administrative departments of the provincial government, together with their work personnel; the principal responsible persons of the prefectural commissioner's offices and of the city and autonomous prefectural governments; and leading cadres in the enterprises, units and undertakings subordinate to the provincial people's government who are appointed by the state administrative organs.

The scope of duties and main tasks and jurisdiction of the provincial supervision department are as follows: to check on how the targets of its supervision are implementing the state policies, laws, and rules and regulations; to accept reports and charges brought against the targets of its supervision by units or individuals for violating state policies, laws, rules and regulations, and for violating discipline; to accept appeals from the targets of its supervision against disciplinary punishment; and to examine and discuss cases of disciplinary punishment of personnel appointed by the provincial government. The department also has powers of inspection, investigation, and [word indistinct], together with a certain degree of administrative punishment power. Together with the local people's governments, it leads the supervision organs of the prefectures and cities in conducting their work.

Xinjiang Meeting Discusses Financial Tasks
HK190317 Urumqi Xinjiang Regional Service
in Mandarin 1230 GMT 18 Feb 88

[Text] A recent regional financial work conference proposed that this year the region must put into effect the guideline on tightening finances, readjust the expenditure structure, increase investment in agriculture, production, and construction, support the development of the three strong-point industries [salt, sugar, and cotton textiles], and maintain steady growth in revenue.

The meeting pointed out that although Xinjiang's financial revenue has risen greatly in recent years, there are still glaring contradictions between financial supply and demand. All localities must base their efforts on the overall situation by resolutely controlling the growth of capital construction and of consumption funds and cutting non-productive expenditures. At the same time, it is necessary to vigorously support in policy and capital the development of the region's three strong-point industries and actively cultivate new sources of steady revenue. Industrial and communications enterprises must actively popularize and perfect the contracted and lease management responsibility systems, speed up the pace of reducing deficits and increasing surpluses, and improve economic returns. Xinjiang should reach its goal of cutting losses in industry and communications and commercial enterprises by 20 percent this year.

The meeting pointed out that financial reform is imperative in various undertakings and units. Units where the conditions are right must institute enterprise-style management or economic contract responsibility systems. We must encourage enterprises and units to organize various kinds of services for payment and promote diversification. We should encourage science and technology personnel to serve society and production, and to increase the income of themselves and their units. At the same time, it is necessary to control the growth in the number of personnel in administrative units and cut administrative expenditures by two percent.

Zhang Sixue and Hederbai, leaders of the party and government of the region, attended the meeting and made speeches. They demanded that the development of financial and credit business be accelerated and called for the establishment of a responsibility system for the management and use of capital on a sound basis, improving the returns on capital, and stimulating the development of production, construction, and all undertakings in Xinjiang.

Correction to Qinghai's Yin Attends Gathering

The following correction pertains to the item headlined "Qinghai's Yin Attends Spring Festival Gathering," published in the 16 February China DAILY REPORT, page 54: Second column, only paragraph, final sentence: ... Army in the province. (providing missing word, "province.")

Macao

Macao Governor Gives Spring Festival Speech
OW190406 Beijing XINHUA Domestic Service
in Chinese 1513 GMT 16 Feb 88

[Text] Macao, 16 Feb (XINHUA)—In this evening's Spring Festival greeting speech, Macao Governor Vasco Almeida e Costa affirmed that plans for Macao's future would be made in accordance with the harmony and stability mentioned in the Sino-Portuguese Accord.

The Macao governor, who is spending his first Spring Festival in Macao, said: The coming Lunar New Year will be an auspicious year for Macao, not because the dragon is a symbol of luck, prosperity and progress but because this year marks the first year of Macao's transitional period.

Macao Governor Visits XINHUA
OW190444 Beijing XINHUA Domestic Service
in Chinese 1258 GMT 17 Feb 88

[Text] Macao, 17 Feb (XINHUA)—Macao Governor Vasco Almeida e Costa visited XINHUA News Agency's Macao office. While there he conveyed Spring Festival greetings to its director, Zhou Ding. Present at the meeting were advisor Ke Zhengping and deputy directors Hu Houcheng and Wang Wenbin of the XINHUA Macao Office.

Vasco Almeida e Costa said: It has become a custom in Macao for the Portuguese to celebrate the Spring Festival with everyone else. Thanks to the participation of some ethnic minority delegations, such as the one from Xinjiang, Spring Festival activities this year appear to be more colorful. In his remarks, he expressed great confidence that the Sino-Portuguese Agreement held a bright future for Macao.

Zhou Ding today also attended a Spring Festival get-together held by the Macao All-China Federation of Trade Unions. President of the Federation of Trade Unions Ma Man Kei addressed the meeting. He called on Macao's industrial, commercial and other sectors to strive to complete all the preparations for the transitional period.

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20 Feb 1988

